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No. 1935

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EXPORT CAPACITIES OF PHARMACEUTICAL INDUSTRY

Sofia ECONOMIC NEWS OF BULGARIA in English No 7, 1979 pp 1,5

[Text] **GENKO TSANEV** – Deputy General Manager of *PHARMACHIM* State Association

Pharmachim State Association specializes in the production of chemicals and medicines, microbiological products, perfumery and cosmetic goods, essential oils, and synthetic aromatic substances. It also handles the import of the raw materials it needs, and the export of its products.

During its existence *Pharmachim*, which has inherited the traditions of the Bulgarian pharmaceutical industry, has modernized and expanded its structure and has laid solid foundations for rapid advance in the production of all the essential drugs, aromatic oils and perfumery-cosmetic preparations.

This greatly diversified list of several thousand products has been entrusted to 10 plants and factories, and is well known to clients in more than 70 countries all over the world.

As a result of steadily growing integration between Bulgaria and the countries of the CMEA, the USSR in the first place, and also of the agreements on industrial co-operation signed with certain firms of the non-socialist countries, the way has been paved for meeting most fully the needs of the country's health institutions for modern and effective drugs.

In a relatively brief time Bulgaria has ceased to be a passive

consumer, turning into an active producer and exporter of a large variety of medicines – antipyretics, antibiotics, microbial preparations, vitamins, phytochemical preparations, dressing material, perfumery and cosmetic materials, toothpastes and natural aromatic products.

The main customers of Bulgarian pharmaceutical substances are the Federal Republic of Germany, Holland, Switzerland, Yugoslavia, Italy, Britain, Spain, India, Egypt, Japan and Mexico, among other countries, while ready-to-use medicines are sold mainly to the USSR, Poland, Hungary, the GDR, Libya, Iraq, Nigeria, Afghanistan, Bangladesh, Pakistan, Algeria, and Syria.

Bulgarian dressing material has been very well received in Vietnam, Holland, Afghanistan, and Nigeria.

In addition to the traditional markets in a number of countries, our perfumery and cosmetic goods and our toothpastes have won new customers in Cuba, Hungary, Mongolia, Afghanistan, Yemen, Panama, Kuwait, Singapore, Hong Kong, and other countries.

Pharmachim Association devotes particular attention to diversifying its production programme, optimizing its technologies and persistently improving the quality of its products.

Success so far has come from maximum utilization of the po-

tential for research by the *Pharmachim* experts grouped in its specialized Research Institute and in the development centres of its plants. The Association also secures the cooperation of eminent Bulgarian scientists from universities and the Bulgarian Academy of Sciences. This brain trust constitutes an effective force which ensures the introduction of results from research into industrial practice.

Bulgaria is making an important contribution to the worldwide effort to combat disease and premature ageing. The motto under which thousands of people work in the *Pharmachim* Association today is "Everything for Man's Health, Vitality, and Youth!" /

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MINISTER SURVEYS DEVELOPMENT OF METALLURGY

Sofia ECONOMIC NEWS OF BULGARIA in English No 7, 1979 pp 1,7

[Text]



Professor Engineer Stamen Stamenov, Minister of Metallurgy and Mineral Resources

The foundations of metallurgical industry in Bulgaria were laid by the opening of the first sections of the LENIN Metallurgical Combine in the Pernik mining and industrial centre 26 years ago. Metal production and processing soon became one of the most dynamically developing branches of the national economy, forming the nucleus of our machine, electronic, electrical engineering and construction industries.

Metallurgy at present integrates within its system a number of large mining and metallurgical enterprises and combines like GORUBSO, KREMİKÖVTSI, MEDET, LENIN, KURDJALI, DIMITER BLAGOEV, DIMITER GANEV, all using modern equipment and the latest technologies.

Bulgaria is listed among the leading nations in

per capita production of lead and zinc, and 20th in the output of steel.

The nomenclature of the ferrous metal industry includes more than 1300 section kinds, 295 types and sizes of steel pipes of 111 different grades of steel, rolled steel sheet for a great variety of articles, structural steel, hot- and cold-rolled steel sheet, parts for machinery and for the construction industry, welded and seamless pipes, large diameter pipes for oil and gas mains, zinc-plated steel sheet, tin-plated sheet, plastic-coated steel sheet, cold-bent sections, etc.

Bulgaria sells on the world market lead, zinc, cadmium, bismuth, secondary aluminium, rolled copper, zinc and brass; lead glazing and minium; blue vitrol, pure zinc sulfate, zinc white, activated zinc powder, sodium bisulfide, sodium sulphate and various chemical reagents.

A number of Bulgarian developments in the field of metallurgy have been patented internationally, such as a process of effective production and processing of poor copper ores; licences for 'Protection of electrodes for arc furnaces' in the steel industry; 'Reversive copper electrolysis by using higher density current', 'Copper refining in the process of conversion', and others - which are now used by major enterprises in the USA, Japan, the Federal Republic of Germany, Italy, Spain, Czechoslovakia, and elsewhere.

Reconstruction and modernization has started of many plants, factories and combines to increase the volume and improve the quality and range of production. The aim is to increase production of high-grade types of steel and thin-wall parts and assemblies for more sophisticated products of the mechanical, electrical, electronic engineering and construction industries.

A number of new items will be added to the production list by the end of the current year, such as aluminium foil and strip; an extensive range of rolled aluminium sheet for industrial purposes, for the food and beverage industry and for household uses. The chemical industry will produce zinc dichloride, bismuth, cadmium, cobalt, nickel and other salts designed to meet the demand of the home market and leave a certain margin for export.

The reconstruction and modernization of the metal and chemical industries will be achieved, as it has been the case in the past, through cooperation and with the assistance of the USSR and the other socialist countries, as well as with companies of all other countries cooperating with us on the basis of equality and mutual advantage, believing in the cause of peace and progress.

CSO: 2020

CHEMO-PHARMACEUTICAL PRODUCTS LISTED

Sofia ECONOMIC NEWS OF BULGARIA in English No 7, 1979 p 4

[Text]

The manufacturing list of PHARMACHIM State Association includes over 2,000 drugs used in human and veterinary medicine and in dental practice.

Antipyretics account for the bulk of the pharmaceutical products of the Association. Bulgaria holds one of the first places in the world in the export of these drugs.

One important feature in the production programme of PHAR-

MACHIM is frequent change involving the introduction of new varieties. About 40 per cent of the Association's output of drugs and preparations are replaced by new products normally within a period of five years.

Intense research is an absolute must for the maintenance of the chemical, pharmaceutical and microbiological products up to the modern standards.

MEDICINES

Broad-spectrum antibiotics feature prominently among the medicines of Pharmachim, and they include *Tetracycline*, *Oxytetracycline*, *Abricycline* [Reverin], *Erythromycin*, *Oleandomycin*, semi-synthetic penicillins such as *Ampicillin*, *Oxacillin*, *Benzacillin* and *Carbenicillin*, *Gentamycin*, *Tetralean*, *Tubocin*, and original Bulgarian antibiotics of fungistatic action like *Niphimycin*.

All antibiotics are produced in a range of medicinal forms for both adults and children.

Among the world-famous preparations are *Nivalin* used in the treatment of paralytic conditions after polyomyelitis; *Rosanol* — based on the attar of rose and used in the treatment of stones in the gall bladder and in the kidneys; *Vincapan* — against hypertension, and a number of other drugs, such as *Crataemon* and *Glaurent*.

Neurotropic preparations are prominent among the drugs used

by modern man today, and the ones most frequently used are *Opipramol* and *Psychophorin*.

Another well-known Bulgarian preparation is *Tempidon*, with its derivatives *Temo*, *Tempalgin* etc.

There are a number of other drugs forthcoming in the gel form; *Almagel* and *Almagel A* for the treatment of gastric ulcers and hyperacid gastritis are very popular in the country and abroad.

Soluran is a highly efficient preparation against urate stones in the kidneys.

New and further improved forms of medicines are introduced in the Bulgarian pharmaceutical industry; tablets in the form of an adapted film to be dissolved in different parts of the digestive tract, effervescent tablets whose drug content is taken in the form of lemonade [vitamin C, calcium gluconate], and depot tablets which gradually release the active substance.

VETERINARY PREPARATIONS

PHARMACHIM State Association produces highly effective veterinary preparations for the prevention and control of diseases in animals, and for increasing output from livestock-breeding.

In the production of Tylosin - in various forms like *Pharmasin* - a water-soluble powder, *Pharmasin 50* and *200* - injection solutions, and *Pharmasin 220* a granulate, Bulgaria now ranks second in the world, after the USA. Very promising for use in veterinary medi-

cine are the preparations of *Gentamicin*, *Ampicillin*, *Tetracycline*, and *Kisampicin*, from which a number of new forms are being released, designed for injection, oral, intrauterine, and intramammary use. The *Bacipharmin* preparation belongs to the category of the nutritive antibiotics.

New products are coming into being, hand in hand with the introduction of new and most modern machines and installations.

CSO: 2020

REGIONAL DIFFERENCES IN HOUSING QUALITY ANALYZED

West Berlin DIW-WOCHENBERICHT in German Vol 46 No 32/33, 16 Aug 79 pp 343-350

[Report by German Institute for Economic Research, West Berlin: "Regional Differences in GDR Housing Quality"]

[Text] At first glance the housing supply in the GDR appears not at all inadequate. In early July 1979 the housing stock amounted to nearly 6.8 million units. Given a population of 16.7 million, this corresponds to 403 housing units per 1,000 residents (1970: 355). In the Federal Republic the same index figure was 408 (1970: 341) and the total housing stock amounted to 24.9 million units. The GDR looks quite good also by comparison with other European countries. Going by the availability of housing units per 1,000 residents it achieves nearly the same standard of supply as Austria (1977: 393); it lags behind only the Federal Republic, Sweden (1975: 429), Denmark (1977: 432), France (1975: 399), Switzerland (1977: 411) and Belgium (1976: 403).¹

This comparison, though, fails to take into consideration the differences in the average size of housing units, because comparative data here are largely lacking. West German housing units are, on the average, about one third larger than those in the GDR (78 square meters compared to 58 square meters). Currently the Federal Republic makes available 31 square meters of living space per resident, compared to 23 square meters in the GDR. This reflects the far inferior housing construction output in the GDR: Calculated at comparable prices, the per capita housing construction volume there achieves only two thirds of the West German value; in 1970 it managed barely 40 percent, in 1960 as little as one third.²

When we take qualitative features into account, the GDR displays considerable backwardness. Half of the GDR housing stock (only a quarter in the Federal Republic) dates back to the period before 1918, and only 30 percent of all housing units were produced after the war (more than 60 percent in the Federal Republic). This preponderance of old housing stock has resulted in substantial arrears in the equipment with heating and plumbing facilities; often also the buildings as such are in quite poor condition. This trend

was emphasized by the extent of the neglect to which maintenance and repairs of the obsolete housing stock had been condemned for many years, in favor of investments in the producing sector.

Only when, in the aftermath of the last census in the early 1970's the economic leadership realized the appalling state of large portions of the housing stock did they feel compelled to allow more scope to the maintenance and modernization of old housing and emphasize new housing construction. That is probably the main reason why the long-term housing construction program through 1990 was developed in 1972/1973.³

Table 1--The Condition of Housing and Old Housing Stocks in the GDR on 1 January 1971

	Percentage Share of Building Condition Categories ¹⁾ in the Housing Stock ²⁾				Percentage Share of Housing Units Built Before 1919
	I	II	III	IV	
Total GDR	20.3	63.9	14.7	1.0	56.7
East Berlin	20.1	60.4	18.5	0.8	54.5
Northern bezirks	26.8	54.0	17.5	1.6	51.4
Neubrandenburg	25.5	55.5	17.0	1.8	51.3
Rostock	28.9	52.4	17.0	1.6	47.0
Schwerin	25.2	54.5	18.6	1.4	57.8
Central bezirks	22.0	61.8	14.8	1.3	49.8
Cottbus	29.8	58.7	10.4	1.0	42.1
Frankfurt	23.9	56.8	17.6	1.6	41.1
Magdeburg	19.6	61.6	17.4	1.2	62.0
Potsdam	17.5	67.4	13.5	1.4	46.5
Conurbation bezirks	17.2	68.5	13.5	0.8	60.9
Presden	17.1	65.0	16.9	0.8	60.8
Halle	19.8	63.5	15.5	1.2	55.1
Karl Marx Stadt	15.0	75.3	9.3	0.4	64.8
Leipzig	17.3	69.0	12.9	0.8	62.2
Southwest bezirks	22.5	61.2	14.1	0.9	60.2
Erfurt	21.6	61.2	15.8	1.3	61.1
Gera	28.7	54.5	12.1	0.5	60.8
Suhl	16.0	70.1	13.1	0.7	57.1

1. Building condition categories: I: well maintained; II: slight defects; III: serious defects; IV: uninhabitable.-- 2) Residential buildings only.

Source: DIW calculations using the results of the living space and building census of 1 January 1971.

Condition of Residential Buildings in 1971

The census of living space and buildings of 1 January 1971 noted the following defects:

- Only 20 percent of all living quarters in residential buildings were in satisfactory condition (building condition category I), except for Cottbus, Gera and Rostock bezirks where nearly every third housing unit came up to standard. Just under two thirds of the stock was reported to have slight defects (building condition category II), and 15 percent serious defects (building condition category III). One percent was classified as uninhabitable (building condition category IV).
- A regional analysis by kreises showed up substantial differences: In 47 of the 218 city and rural kreises of the GDR more than 25 percent of housing was in good condition; in 52 kreises, on the other hand, every fifth unit had to be officially classified as category III or IV, and as many as every third unit in Eberswalde, Hagenow and Stralsund rural kreises.
- It is remarkable that not private residential buildings but those in state ownership were most deficient: In 1971 in 76 kreises more than 20 percent of the state owned residential buildings were badly dilapidated. In 30 kreises more than 3 percent of the stock had to be condemned altogether, in Pasewalk as much as 8 percent.
- The proportion of dilapidated housing was above average in the large cities and smaller communities; medium size municipalities did better. In the matter of equipment the smaller communities did markedly worse. Housing in city kreises had far better amenities than those in rural kreises, but at the same time displayed considerable structural defects.
- As many as 180 urban and rural kreises did not even have 10 percent of their housing stock equipped with central heating, baths/showers and inside lavatories. More than 40 percent of housing in 18 kreises had no piped water supply, and in another 42 kreises about a third of the units lacked this amenity. Only in the new cities such as Eisenhuettenstadt (more than 50 percent), Schwedt (more than 85 percent) and Halle-Neustadt (99 percent) did the amenities of the large majority of housing units meet modern requirements.
- In 6 of the 15 bezirks more than 60 percent and in another 5 bezirks more than half the housing stock dated back to the pre-1919 era. Their amenities are particularly substandard. Only every 20th unit had central heating, every 4th an inside lavatory and bath. The old housing stock was particularly prevalent in the southwest bezirks and the conurbations.

The neglect of the old housing stock is due to the fact that the level of rents--kept low for sociopolitical reasons--allows neither private building

owners (nearly 60 percent of all residential buildings) nor communal housing administrations and cooperatives to set aside money for even the most urgent repairs. To this day the rents of apartments in new buildings amount to only M0.80-1.25 per square meter of living space* (in the Federal Republic the average rent for housing built since the war is DM5, for the most modern buildings DM6-8); rents of apartments in old buildings are frozen at the 1938 level. As a result only 3.5 percent of the household income in the GDR goes to rents, compared to 12.5 percent in West Germany. The GDR therefore grants very large subsidies "to safeguard stable rents for the people." In 1978 the amount of the subsidies was M1.4 billion.

Neglected in the GDR is not only the repair but also the demolition of derelict housing or of residential buildings which, due to neglect of repairs, are in too poor a condition to be restored. In the period 1960-1975 the annual rate of scrapping was only just about 0.3 percent of the stock; in the last 3 years 0.4 percent--that is only about half the percentage usual in Western countries. Since 1971 more than the average volume of buildings is demolished in only 4 of the 11 bezirks where old housing stock predominates (East Berlin, Neubrandenburg, Leipzig and Schwerin). On the other hand Frankfurt Bezirk records more demolition though it has a relatively small stock of old buildings.

Table 2--GDR Housing Construction Output 1971 Through the First Half of 1979

(5) Jahr	(1) Fertiggestellte Wohnungen ²⁾						(4)		(2) Wohnungs- abgänge. gesamt
	(6) insgesamt	(3) im Neubau		im (8) Um- und Ausbau	als (9) Moderni- sierung	Geschaffene Wohnfläche ³⁾			
		gesamt (6)	dar. (7) Eigenheime			gesamt (6)	je (10) Wohnung		
Anzahl (11)						1000 m ² (12)	m ² (12)	Anzahl (11)	
1971	86 777	65 021	2 198	11 109	10 647	4 398	57,8	} 33 343	
1972	117 026	69 552	2 437	16 349	31 125	4 905	57,1		
1973	125 769	80 725	5 189	15 493	29 551	5 573	57,9		
1974	138 301	88 312	9 549	14 938	35 051	6 201	60,1		
1975	140 793	95 976	11 207	12 214	32 603	6 523	60,3	15 655	
1976	150 617	103 091	11 110	11 600	35 926	6 869	59,9	25 744	
1977	162 745	106 826	11 784	10 568	45 351	7 097	60,5	29 583	
1978	167 799	111 909	11 913	10 000	45 890	7 318	60,0	30 500	
1. Halbjahr 1979 (13)	74 121	52 042	6 378	4 000	18 079	3 363	60	14 000	

4) 1) Vorläufig. - 2) Neu-, Um- und Ausbau sowie Modernisierung. - 3) Durch Neu-, Um- und Ausbau. - 4) Aufteilung geschätzt. - 5) Geschätzt.

Quellen: Statistische Jahrbücher der DDR; Statistisches Taschenbuch der DDR 1979; Planerfüllungsberichte (Neues Deutschland vom 19.1.1979 bzw. 14./15.7.1979) sowie Berechnungen und Schätzungen des Diw.

(15)

Key:

1. Completed housing units
2. Total of lost housing space
3. New construction
4. Living space provided
5. Year
6. Total

[Key continued on following page]

7. One-family homes
8. By remodeling and extension
9. As modernization
10. Per housing unit
11. Units
12. Square meter
13. First half 1979
14. Footnotes: 1) Preliminary.-- 2) New construction, remodeling and extension as well as modernization.-- 3) By new construction, remodeling and extension.-- 4) Estimated distribution.-- 5) Estimated.
15. Sources: GDR Statistical Yearbooks; "Statistisches Taschenbuch der DDR 1979" [GDR 1979 Statistical Handbook]; plan fulfillment reports (NEUES DEUTSCHLAND, 19 January 1979 and 14/15 July 1979), also DIW calculations and estimates.

Table 3--Regional Housing Construction Output 1971-1978

Bezirke (3)	(1) Fertiggestellte Wohnungen ²⁾									Woh- (2) nungs- abgänge		
	(6) insgesamt	(4) in Neu-, Um- und Ausbau			(5) als Modernisierung						(11) Modern- isie- rungs- quote ⁵⁾	(6) insge- samt
		Neubau (7)	Um- und Ausbau (8)	gesamt je 1000 Einwoh- ner ³⁾ (9)	gesamt (6)	davon: nach Kategorien 4 (10)						
						I	II	III				
(6) gesamt	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)		
DDR, insgesamt (12)	1089 837	721 422	102 271	48,8	266 144	54 137	157 386	54 621	5,57	166 804		
Berlin(Ost) (13)	94 838	63 943	9 414	66,6	21 481	1 962	14 059	5 460	6,18	33 204		
Nordbezirke (14)	158 401	113 315	8 529	58,3	36 557	5 505	21 548	9 504	7,85	21 061		
Neubrandenburg	49 549	33 321	1 722	55,7	14 506	1 645	9 398	3 463	10,57	8 611		
Rostock	67 334	52 387	3 763	64,6	11 184	1 333	5 837	4 014	6,17	6 309		
Schwerin	41 518	27 607	3 044	51,7	10 867	2 527	6 313	2 027	7,38	6 141		
Mittelbezirke (15)	275 707	182 116	22 047	51,3	71 544	15 189	39 221	17 134	6,81	31 003		
Cottbus	62 188	45 104	4 071	56,3	13 013	1 383	9 046	2 584	6,58	7 191		
Frankfurt	55 583	39 378	2 269	60,7	13 936	2 175	7 181	4 580	8,62	6 615		
Magdeburg	95 258	55 879	10 028	50,9	29 351	8 891	14 169	6 291	7,77	12 813		
Potsdam	62 678	41 755	5 679	42,2	15 244	2 740	8 825	3 679	4,88	4 384		
Ballungsbezirke (16)	397 939	254 110	45 953	41,9	97 876	23 635	57 555	16 686	4,42	68 755		
Dresden	96 965	64 947	10 955	41,2	21 063	4 310	12 262	4 491	3,70	13 887		
Halle	110 694	74 557	10 788	45,3	25 349	4 001	15 633	5 715	4,84	12 001		
Karl-Marx-Stadt	103 325	64 622	13 393	39,2	25 310	7 949	13 350	3 971	3,79	21 353		
Leipzig	86 955	49 984	10 817	41,9	26 154	7 375	16 270	2 509	5,76	21 514		
Südwestbezirke (17)	162 952	107 938	16 328	49,1	38 686	7 846	25 803	5 837	5,55	12 781		
Erfurt	75 210	52 315	6 517	47,3	16 378	3 049	10 992	2 337	4,90	6 386		
Gera	55 802	36 056	5 991	57,0	13 755	2 893	8 791	2 071	6,62	4 420		
Suhl	31 940	19 567	3 820	42,5	8 553	1 904	5 270	1 429	6,49	1 975		

1) 1978 vorläufig bzw. vom DIW geschätzt. -2) Neu-, Um- und Ausbau sowie Modernisierung. -3) Anzahl der neu-, um- und ausgebauten Wohnungen mit dem Durchschnitt der jeweiligen Wohnbevölkerung (per 31.12.) in den Jahren 1971 bis 1978. -4) Kategorien = I: Wasseranschluß, Innentoilette, Abwasserbeseitigung; II: wie I, zusätzlich Bad bzw. Dusche und Warmwasserbereitung; III: wie II, zusätzlich modernes Heizsystem. -5) Anzahl der 1971 bis 1978 modernisierten Wohnungen in % des Bestandes der vor 1945 gebauten Wohnungen am 1.1.1971. (18)

Quellen: Statistische Jahrbücher der DDR; Statistisches Taschenbuch der DDR 1979; Planerfüllungsberichte 1978 der Bezirke sowie Schätzungen und Berechnungen des DIW. (19)

[Key on following page]

Key:

1. Completed housing units
2. Lost housing space
3. Bezirke
4. In new construction, remodeling and extension
5. As modernization
6. Total
7. New construction
8. Remodeling and extension
9. Total per 1,000 residents
10. By categories
11. Modernization ratio
12. Total GDR
13. East Berlin
14. Northern bezirke
15. Central bezirke
16. Conurbation bezirke
17. Southwest bezirke
18. Footnotes: 1) 1978 preliminary figures or DIW estimates.-- 2) New construction, remodeling and extension, also modernization.-- 3) Newly constructed, remodeled and extended housing with the average of the respective residential population (as on 31 December) in the years 1971-1978.-- 4) Categories = I: piped water, inside lavatory, sewer connection; II: as I plus bath or shower and hot water supply; III: as II plus a modern heating system.-- 5) Percentage of 1971-1978 modernizing housing in the stock of such units built before 1945, as of 1 January 1971.
19. Sources: GDR Statistical Yearbooks; GDR 1979 Statistical Handbook; 1978 bezirk plan fulfillment reports, also DIW estimates and calculations.

Housing Construction Output Since 1971

Since the beginning of the 1970's the overhaul of old buildings has been included in the plans and financing provided from budget resources and by way of loans. In 1978, for example, the state budget paid M1.2 billion for building repair and modernization, compared to M1.8 billion for new housing construction and another M1.8 billion for⁵ interest and principal repayments and subsidies for new construction loans.

We thus see that the modernization of obsolete stocks was vigorously pursued in addition to new construction which rose quite steadily from 65,000 units per annum (1971) to 110,000 units (1978) and to remodeling and extension which provided another 10,000-16,000 housing units per annum. Modernized housing⁶ multiplied rather quickly, from barely 11,000 units (1971) to nearly 46,000 (1978). Just about 60 percent of the housing modernized from 1971 to 1978 were brought up to category II and about 20 percent each to categories I and III.

The distribution of new construction and extension among the bezirks discloses noticeable differences: Most housing per resident was built in East Berlin which has long enjoyed priority, also in Rostock, Frankfurt, Gera, Cottbus and Neubrandenburg bezirks. Least favored were the populous bezirks of Karl Marx Stadt, Dresden and Leipzig, and the situation was similar for Potsdam and Suhl.

The volume of bezirk specific construction output is only in part determined by the standard of supply achieved hitherto, or by age structure. Of the six bezirks with a relatively advanced housing construction output, for example, only two (Rostock and Neubrandenburg) are among those where supplies were much below the average; East Berlin, by contrast, has long enjoyed a good supply of housing. In addition Frankfurt and Cottbus had relatively little old stock. In fact Cottbus and Gera were among the regions with the least defective building stock. Among the five bezirks where construction output remained below average the three conurbation bezirks have a reasonably good supply standard, but that standard is fairly low in the case of Suhl. With the exception of Potsdam the age structure in all these bezirks leaves much to be desired.

The average size of the housing units built from 1971-1978 differs very little from one bezirk to the next. It only fluctuates between just under 57 square meters in East Berlin and 61 square meters in Cottbus, with a GDR average of slightly better than 59 square meters. The smallness in difference in average housing size is due mainly to the prevalence of prefabrication (1978: 84 percent of new housing units) with standardized dimensions of the concrete slabs.

As in the case of new construction, regional distribution was by no means equal as regards frequency of modernization. Clear divergences emerge if the housing units modernized in the bezirks since 1971 are related to the prewar stock recorded in 1971: Relatively little modernization was carried out in the conurbations, though many of the units there were built before 1919; most modernization involved the less obsolete stock in the northern bezirks. The four bezirks with the highest rate of modernization are Neubrandenburg, Frankfurt, Magdeburg and Schwerin, the rate is lowest in Dresden and Karl Marx Stadt--two bezirks where old buildings are particularly frequent.

Present-Day Equipment of Housing

We may gain some notion of the current standard of the equipment of housing by recording statistical changes in the results of the 1971 building census. Modernization is taken into account as well as new construction output and demolition. In order to describe the regional differences as accurately as possible, our calculations extend to kreises as well as bezirks. We were able to use some data of bezirk statistics as well as many details published in the GDR bezirk press. These were supplemented by estimates.

Table 4--Data on Regional Living Space Equipment

Bezirke	Living Space Provided ¹⁾		Stock of Living Space on 1 January 1979 ²⁾	
	per unit	per resident square meter	per unit	per resident square meter
Total GDR	59.3	2.9	58.1	23.3
East Berlin	56.8	3.8	56.3	25.2
Northern bezirks	59.6	3.5	58.0	21.2
Neubrandenburg	60.8	3.4	58.7	21.5
Rostock	58.7	3.8	56.1	20.3
Schwerin	59.9	3.1	59.9	22.1
Central bezirks	59.5	3.1	59.5	23.4
Cottbus	61.2	3.4	59.0	23.0
Frankfurt	58.3	3.5	58.4	22.5
Magdeburg	59.0	3.0	59.7	24.0
Potsdam	59.6	2.5	60.2	23.5
Conurbation bezirks	59.6	2.5	56.3	23.3
Dresden	61.1	2.5	57.1	23.5
Halle	58.9	2.7	57.6	23.0
Karl Marx Stadt	58.9	2.3	52.4	22.7
Leipzig	59.5	2.5	59.5	24.3
Southwest bezirks	59.8	2.9	60.4	24.0
Erfurt	59.4	2.8	59.8	23.9
Gera	60.6	3.5	60.5	24.3
Suhl	59.2	2.5	61.8	23.9

1) By new construction, remodeling or extension.— 2) DIW estimate of changes since the living space and building census of 1 January 1971.

Sources: GDR Statistical Yearbooks; GDR 1979 Statistical Handbook; DIW calculations and estimates.

According to all these 22 percent of GDR housing now has central heating (1971: 11 percent), 50 percent is equipped with baths or showers (1971: 30 percent) and inside lavatories (1971: 42 percent); 89 percent has piped water (1971: 82 percent). In the Federal Republic these levels were achieved in the 1950's with regard to inside lavatories and in the early '80's with regard to baths/showers. Currently roughly 90 percent of our housing is equipped with baths and WC's, 60 percent with central heating.

Housing quality differs sharply in the various GDR bezirks. East Berlin apartments have most amenities, and the standard there is well above the average. The conurbations and southwest regions (Suhl, Erfurt) but also some other regions (Neubrandenburg, Schwerin, Magdeburg) record serious gaps.

An analysis by kreises shows the persistent deficiency in the quality of housing in the various regions:

- Among the 219 GDR urban and rural kreises the proportion of fully equipped housing does not even amount to 10 percent in 40 kreises; in another 79 it is between 10-15 percent, and in 53 more between 15-20 percent.
- Equipment with central heating is particularly deficient: In only 36 kreises (including 22 urban kreises) are more than 25 percent of apartments centrally heated; in another 129 only every 5th-10th housing unit boasts a modern heating system. In 23 kreises, especially in the conurbations and Cottbus, not even every 10th unit is centrally heated.
- In 26 kreises more than 60 percent of housing have a bath/shower; in 18 kreises, on the other hand, not even 33 percent are so equipped. The largest groups, 78 kreises, boasts such sanitary facilities in only just under 50 percent of all housing.
- The equipment of housing units with piped water still leaves a great deal to be desired; though now in only 3 kreises more than 40 percent of the building stock lacks piped water altogether and in 65 kreises (1971: 35) just under 10 percent lack this facility, no piped water is available in every 4th-6th housing unit in 136 kreises.
- Urban kreises usually enjoy far better amenities than rural kreises. The bezirk capitals especially stand out among the surrounding regions; only Leipzig and Halle are outshone by their rural kreises.

In addition to the large cities the central bezirks generally--especially the kreises in the vicinity of East Berlin--and the northern bezirks plus a few kreises in the southwest bezirks show a greater incidence of amenities. The southwest bezirks and some kreises in the conurbations are well supplied with piped water, while the north and some kreises further away from East Berlin tend to be rather backward in this respect.

In general we are bound to note that housing construction in the past 8 years did nothing to reduce the considerable regional differences in the quantitative and--quite especially--qualitative housing supply. Evidently the GDR's regional policy has other goals, such as the general direction of manpower and high priority for new settlements in key industrial regions. That is why cities and, in particular, the bezirk capitals enjoy much attention while the surrounding areas are still apt to be neglected.

Table 5--Housing Stock and Its Equipment in 1971 and 1979

(3) Bezirke	(1) Wohnungsbestand am 1.1.1971 ²⁾					(2) Wohnungsbestand am 1.1.1979 ³⁾				
	(4) insgesamt		dar.: nach Ausstattungsmerkmalen in %			(4) insgesamt		(5) dar.: nach Ausstattungsmerkmalen in %		
	in 1 000	je 1 000 Einwohner	Zentralheizung ⁴⁾	Bad bzw. Dusche ⁴⁾	Wasserleitung ⁵⁾	in 1 000	je 1 000 Einwohner	Zentralheizung ⁴⁾	Bad bzw. Dusche ⁴⁾	Wasserleitung ⁵⁾
(10) GDR, insgesamt	6 057,0	355	10,8	38,5	82,0	6 713,9	401	21,8	50,1	89,0
Berlin (Ost) (11)	463,7	427	14,8	58,8	98,5	503,9	447	28,1	72,3	100
Nordbezirke (12)	663,3	316	12,8	36,5	76,0	764,1	365	26,9	51,5	85,4
Neubrandenburg	201,4	316	5,6	35,7	74,5	227,9	366	20,6	52,4	85,7
Rostock	269,2	313	18,5	39,4	77,3	319,0	363	33,0	53,8	85,3
Schwerin	192,7	322	12,2	33,1	75,9	217,2	368	24,7	47,2	85,1
Mittelbezirke (13)	1 387,1	350	14,9	41,7	75,9	1 560,3	393	26,4	53,7	84,2
Cottbus	301,7	350	18,0	47,1	76,5	343,7	390	29,7	58,9	84,2
Frankfurt	233,9	343	16,9	44,9	77,2	269,0	385	30,6	58,8	86,6
Magdeburg	460,1	359	12,3	33,6	72,1	513,2	403	24,0	46,9	82,0
Potsdam	391,4	345	14,5	45,1	79,0	434,4	390	23,9	54,4	85,1
Ballungsbezirke	2 681,0	365	7,9	34,2	82,4	2 912,3	414	16,7	44,2	88,4
Dresden (14)	686,5	366	7,2	33,4	79,4	748,5	412	16,5	42,9	84,8
Halle	666,5	346	11,1	38,4	80,5	739,9	400	21,4	48,9	86,6
Karl-Marx-Stadt	785,9	384	6,3	28,6	83,5	842,6	433	14,8	37,8	88,9
Leipzig	542,1	363	7,3	38,4	87,2	581,3	408	16,8	49,3	94,4
Südwestbezirke	861,9	338	9,2	37,6	86,5	973,3	386	20,4	49,2	92,7
Erfurt (15)	412,5	328	8,8	38,0	83,5	464,9	376	19,9	49,1	89,6
Gera	259,3	351	9,2	38,4	87,0	296,9	402	21,7	51,3	94,1
Suhl	190,1	344	9,9	35,7	92,2	211,5	387	19,7	46,2	97,5

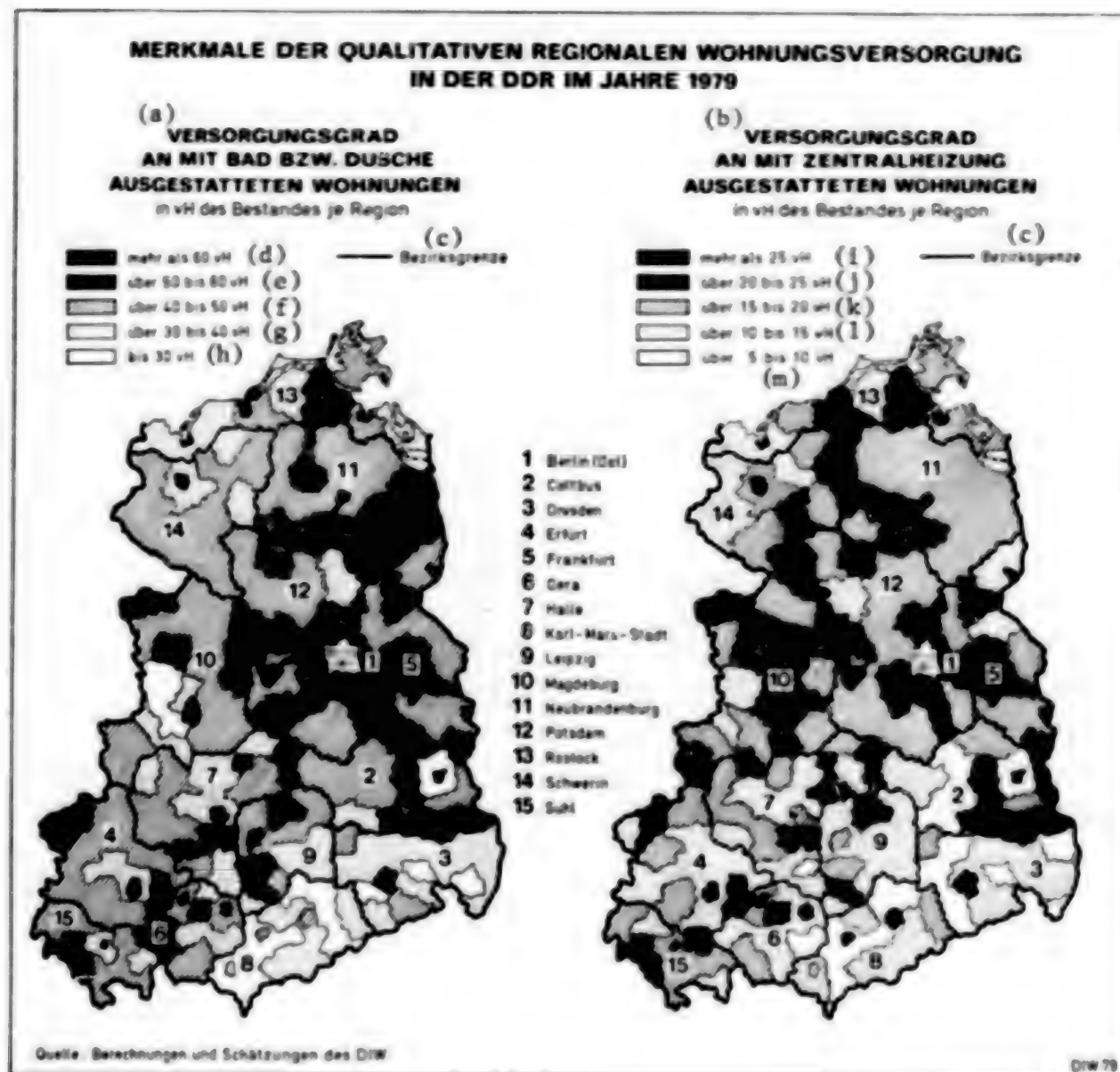
1) Wohnungen in Wohn- und Nichtwohngebäuden, einschließlich Behelfsunterkünfte. 2) Ergebnisse der Wohnraum- und Gebäudezählung vom 1.1.1971. 3) Fortschreibung des DIW. 4) Einschließlich Fernheizung sowie Ofenheizung für Strom, Gas und Öl. 5) in der Wohnung. (16)

Quellen: Statistische Jahrbücher der DDR; Statistisches Taschenbuch der DDR 1979; Ergebnisse der Wohnraum- und Gebäudezählung vom 1.1.1971 sowie Berechnungen und Schätzungen des DIW. (17)

Key:

1. Housing stock as on 1 January 1971
2. Housing stock as on 1 January 1979
3. Bezirke
4. Total
5. By items of equipment--percentages
6. Per 1,000 residents
7. Central heating
8. Bath or shower
9. Piped water
10. Total GDR
11. East Berlin
12. Northern bezirke
13. Central bezirke
14. Conurbation bezirke
15. Southwest bezirke
16. Footnotes: 1) Apartments in residential and nonresidential buildings, including emergency accommodation.-- 2) Results of the living space and building census of 1 January 1971.-- 3) Record of statistical changes provided by the DIW.-- 4) Including district heating and electric, gas and oil furnaces.-- 5) In the apartment.
17. Sources: GDR Statistical Yearbooks; GDR 1979 Statistical Handbook; results of the living space and building census of 1 January 1971, also DIW calculations and estimates.

Graph 1--Features of the Qualitative Regional Housing Supply in the GDR
in 1979



Source: DIW calculations and estimates

Key:

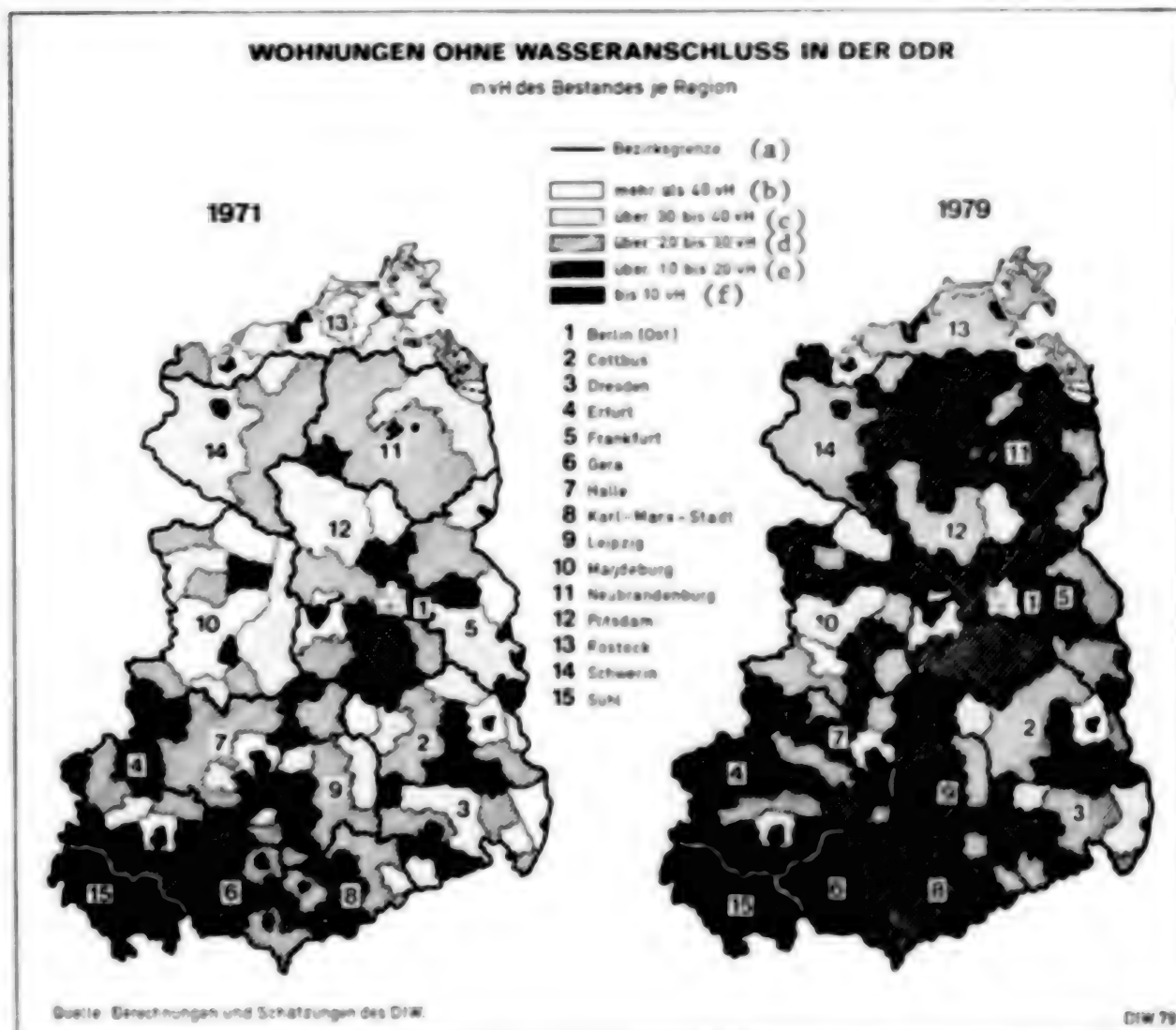
- a. Extent of the supply of housing units equipped with bath or shower as a percentage of each region's housing stock
- b. Extent of the supply of housing units equipped with central heating as a percentage of each region's housing stock
- c. Bezirk border
- d. More than 60 percent
- e. From 50-60 percent

[Key continued on following page]

- f. From 40-50 percent
- g. From 30-40 percent
- h. Up to 30 percent
- i. More than 25 percent

- j. From 20-25 percent
- k. From 15-20 percent
- l. From 10-15 percent
- m. From 5-10 percent

Graph 2--GDR Housing Units Without Piped Water as a Percentage of Each Region's Housing Stock



Source: DIW calculations and estimates

Key:

- a. Bezirk border
- b. More than 40 percent
- c. From 30-40 percent

- d. From 20-30 percent
- e. From 10-20 percent
- f. Up to 10 percent

Outlook

A greater diminution in regional differences seems urgent, if only from the aspect of the social elements of the housing construction program. Certainly a great deal remains to be done before the housing problem is resolved. According to the long-range housing construction program the construction of another 2.1 million units is planned for the period 1981-1990 (a third of this figure will be accounted for by modernization). The expenditure needed is estimated at M145 billion. The current 1976-1980 Five-Year Plan assigned the sum of M55 billion for a construction output of 850,000 housing units (including 550,000 new buildings), complete with related community facilities (such as nurseries and supermarkets). Excluding the cost of repairs this corresponds to an investment volume of at least M40 billion or 17 percent of the total investments earmarked for 1980. We are probably justified in estimating that the corresponding share of housing construction investments will be even higher in the next 10 years.

Given these dimensions we are bound to ask whether the GDR will be able to continue giving priority to housing construction in view of the decline in overall economic growth, the obvious productivity problems with respect to the use of production factors and, especially, in view of the increasing worldwide inflation of raw material prices and the ensuing complex adjustment problems.

If the earlier policy of increased efforts to raise exports in order to finance the far more expensive imports is continued, this will obviously require a relative diminution of goods available at home. Private consumption and investment will rise at a slower rate. Within the scope of the available investment volume the producing sectors, transportation and the other infrastructure as well as housing construction will necessarily compete for resources. The alternatives are these: Either to insist on pressing on with the urgently necessary renewal of housing at the expense of the other investment sectors, or to restrict the housing construction program in favor of the equally urgent strengthening of other sectors. As the housing construction program was adopted as the result of an important political decision and made the "core of the SED's social policy," changes will not be easy to achieve. At most a certain restructuring in the direction of great emphasis on modernization rather than new construction may be conceivable.¹⁰ For many years great efforts were made to improve productivity, especially in underground construction, and to save building materials. Lately another task has been added: By better insulation--initially at least of new buildings--to reduce energy consumption.

FOOTNOTES

1. Data as per United Nations Economic Commission for Europe, "Annual Bulletin of Housing and Building Statistics for Europe," New York 1978, pp 14 ff.

2. See "Housing: Supply and Housing Quality in the GDR," edited by Manfred Melzer, *DIW-NOCHENHEFT* No 30/1978, pp 291 ff.
3. The housing construction program was enacted in 1973 at the 9th and 10th Plenums of the SED Central Committee and explained by the minister for construction. See *NEUES DEUTSCHLAND*, 4 October 1973, pp 5 ff.
4. Households with a family income of more than 12,000 pay up to 33 percent more.
5. See *NEUES DEUTSCHLAND*, 29 June 1979, p 3.
6. Modernization may, on the average, cost 35 percent and a maximum of 70 percent of an apartment in a new building, and the life of the apartment is supposed to be extended by at least 30 years. See *SOZIALISTISCHE DEMOKRATIE*, 28 January 1972, p 5.
7. Three categories of modernization are distinguished: The minimum requirement is the incorporation of water and sewer lines as well as a modern cooking stove and inside lavatory (category I); equipment with baths, showers and hot water heaters is also often involved (category II). Only the third category also includes equipment with a central heating installation.
8. It must be noted, though, that the average size of housing built in the GDR since the early 1970's has increased from 57-60 square meters (Federal Republic: from 87-100 square meters). In the GDR also this is the consequence of the construction of larger one-family homes. Their share in new construction has risen from 3 percent (1971) to 12 percent (1979). At 60 square meters of living space the average unit in the GDR is in any case 33 percent larger than in the other CEMA countries.
9. Central heating including district and floor heating but excluding individual furnaces, using electricity, gas and oil.
10. The potential for restructuring should not be overestimated because the expansion of concrete slab factories has by now advanced quite far: In 1978 the annual capacity was around 81,000 housing units, by 1980 it is supposed to be 110,000. See *PRESSE-INFORMATIONEN DER DDR*, 5 July 1979, p 2.

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HAVASI DISCUSSES PLAN FULFILLMENT, DEVELOPMENT OF PRICE SYSTEM

Budapest TARSADALMI SZEMLE in Hungarian No 7-8, Jul-Aug 79 pp 3-13

[Article based on address by Ferenc Havasi, secretary of the MSZMP Central Committee at the 29 June 1979 meeting of the Central Committee: "Lessons of the Fulfillment to Date of the 1979 National Economic Plan; The Need for Developing the Price System"]

[Text] The fundamental demand formulated by the Central Committee resolution on the 1979 National Economic Plan consisted in putting a stop to the deterioration of the foreign trade balance, especially the rise in excess imports from non-ruble accounting areas, and promoting processes favorable to improve trade balance. The resolution envisaged moderate growth in production and consumption and it pointed to tangible improvements in economic management and economic activity as the chief means of satisfying this demand. Central economic management was charged with the task of creating the conditions necessary for secure fulfillment of the national economic plan, by taking management, organizational, regulatory and thereby assisting in improved operation of enterprises.

Principle Lessons of the First Five Months

Party, state and social organizations supported and welcomed the resolution on the 1979 plan and they are working on its implementation. The majority of economic organizations understood the tasks arising from the increased requirements and stepped up their efforts to carry out those tasks.

The implementation of political and economic decisions and measures aimed at the fulfillment of the National Economic Plan started on time. As a result, economic processes are following the direction set by the National Economic Plan more closely than last year. Consumption and accumulation, i.e., internal domestic utilization, are growing slower than production which is increasing at a moderate rate; export expansion is significantly greater than the increase in imports.

Processes and trends which are favorable to plan fulfillment strengthened within the economy; however, unfavorable tendencies continue to exist. As yet, the growth rate of the non-ruble trade deficit established earlier could not be brought down to the extent that is necessary. The progress achieved thus far is insufficient to fulfill plan targets, especially as they relate to trade balance requirements. Consequently, there is a need to show even more consistency in striving for faster quality improvements, increased efficiency and the implementation of needed transformations in the production structure. To this end, it is necessary to improve economic management, the influencing of economic processes and the organization of execution.

The 3.8 percent growth in industrial output was close to the planned yearly growth rate; sales increased at a higher rate. Exports and, in particular, non-ruble exports grew faster than domestic sales. The growth of non-ruble industrial exports is substantially due to the fact that the machine industry and metallurgy increased their export product base once again after the stagnation of last year. Aside from a few exceptions, there have been no material or energy supply shortages to cause sustained interruptions in production.

Construction industry production went up by 3.4 percent which is higher than the yearly target rate. There has been some acceleration of ongoing construction projects.

The conditions for agricultural production are less favorable than the calculations of the plan. Fall grain crops were lost on approximately 230,000 hectares, i.e., 15 percent of the total acreage; the condition of the remainder of the crop is worse than usual. Despite replanting and the measures taken to utilize the available acreage, the grain harvest will be less than planned, in view of the additional impact of the drought in May. We must expect that vegetable and fruit production will also remain below planned levels.

The progress of animal husbandry is, on the whole satisfactory. Purchases of cattle and animal products increased by more than 4 percent. The rise was especially dynamic in purchases of beef cattle and lamb. The number of hogs this spring was higher than ever before. In accordance with the plan, milk purchases increased at a moderate rate; egg purchases went down but supplies are satisfactory.

The supply of materials, machines and other implements necessary for agricultural activities were in general satisfactory. Animal feed supplies are balanced; however, there has been no improvement in the supply of spare parts.

Cash income of the population rose during the first five months of the year at a rate slower than the yearly plan target. Wages increased by 7.2 percent and yearly bonuses went down; thus, the aggregate increase in income was 5.2

percent. There were fewer exemptions from wage regulations. With the exception of domestic trade, the possibility of non-earned 1.5 percent wage increases, customary up until now, has been eliminated. There is a 3 percent ceiling on the use of enterprise reserves to pay for additional wage increases. Tendencies toward the reduction of wage differentials have strengthened in some areas instead of weakening. Monetary social benefits increased by 9.6 percent, at a rate exceeding calculated levels, primarily as a result of the increased pensions introduced this year. The rise in consumer prices thus far was 5.3 percent, as compared to the planned 4.7 to 4.9 percent.

The approximately 3 percent increase in the 8.8 percent volume of retail trade indicates that consumption by the general population is developing in a way which is close to planned levels. On the whole, the supply of products has been satisfactory. Deficiencies in quantity and quality continued to exist with regard to certain products, e.g., meat, tropical fruits, some industrial goods and construction materials.

Investment payments grew at a rate of 4 percent, essentially in accord with the yearly plan. More particularly, the increase was 10 percent for state investments and 0.7 percent for enterprise investment, compared to the same period last year. There was rapid increase in lump sum and other state investments; payments for large scale investment projects are below planned levels.

Stocks were reduced by more than the usual amount at the start of the year. However, further purposeful work is needed to achieve sensible improvements in product marketing and the relationship between enterprises and to reduce unjustifiably large stocks in an organized fashion.

At current prices, export growth was dynamic and imports increased hardly at all, relative to last year. Ruble imports expanded at a rate slower than planned; exports increased in accordance with plan targets. Non-ruble exports increased faster than planned; imports also exceeded planned levels. The dynamic increase in exports is one of the important positive aspects of our economic activity and it represents substantial progress relative to the earlier years.

Substantial price increases are continuing in the capitalist world market. The increased prices for oil and many raw and base materials already have a negative effect on our imports. This represents an additional argument for improving our trade balance situation and striving for material and energy conservation.

Development of Economic Management Practices

A number of measures have been taken by the government and economic authorities in order to provide the foundations for the fulfillment of the plan. These were directed primarily towards improvements in the non-ruble trade balance.

The decisions related to economic regulations were aimed at the creation of economic conditions which could force enterprises to forcefully modernize their product structure, to expand profitable non-ruble exports, to achieve rational import savings and to operate in a rational manner. This led to the modification of currency exchange rates and the formulation of measures to improve export profitability.

The most important consuming enterprises prepared proposals for improving import savings. Measures were adopted with regard to the production and import of energy sources, the rationalization of energy use, the production and utilization of ferrous metallurgy products, rational import substitution in the area of semi-finished products, parts and sub-units, paper utilization, agricultural products and materials, consumer articles and construction activities.

In certain enterprises there have been gradually increasing payment problems starting from the second half of 1978. Some economic organizations continued, during last year and also this year, to strive for production increases over and above their capabilities, to accumulate oversized stocks, to start investments beyond their strength or to increase salaries faster than they increased their output. Stricter regulations shed some light on this type of management deficiencies and the occasional consequences of irresponsible initiatives. Payment difficulties of enterprises are caused by deficiencies in operations; thus, their elimination can and must be accomplished through improved operations.

Along with indispensable central measures aimed in the right direction, the activities of the authorities reveal instances of overly general and "principled" measures as well as overly meticulous intervention. The development of economic organization and direction leading to true long range improvements in economic processes is progressing slowly. We will be able to fulfill increasing demands only if the sector and functional organs carry out their leadership tasks in a coordinated, purposeful and competent manner and the requirements of foreign trade balance are given priority both in direction and execution. Therefore, the strengthening of the coordination between economic policy and day-to-day economic direction remains an important task.

Future Tasks in Implementation of the Plan

As a result of several factors, the conditions for the implementation of the National Economic Plan became more difficult during the course of its execution. Due to price increases in the capitalist marketplace, the terms of trade will deteriorate more sharply than earlier calculated. Due to unfavorable weather,

we expect to be able to export less agricultural and food industry products, despite increased costs. Nevertheless, economic processes up until now indicate that non-ruble imports will continue to increase and the present highly dynamic export trends will be moderated.

Under these circumstances, fulfillment of the foreign trade balance requirements of the National Economic Plan will necessitate additional measures along with implementation and accelerated execution of measures taken to date. These include:

--Sensible savings must be achieved in energy sources, various metals, lumber, plastic, paper, leather, textile raw materials and animal feeds.

--Attention must be paid to the planned functioning of foreign trade in the ruble accounting area. Non-ruble imports must be reduced. Opportunities must be found to expand exports sold in convertible currency areas beyond plan targets.

--Effective measures must be adopted to moderate losses and short falls in agricultural production caused by the May drought. Replanting and post-harvest planting of profitable crops is needed on the land which became available. Harvesting, purchasing and storage must be carefully organized to insure the maximum amount of grain in central stocks and to minimize losses. Animals ready for slaughtering must be purchased without delay. Measures must be taken to provide the feed necessary for animals. Special attention must be paid to the security of household plots, improved incentives and further encouragement of the desire to produce more. Careful preparation is needed to insure timely and planned fulfillment of the foreign trade tasks arising from the changed situation.

--In order not to exceed planned investment levels, certain central monetary funds must be withheld, the utilization of decentralized financial resources must be limited and some lump sum and other state investment targets must be lowered. The situation of enterprises with cash flow difficulties must be resolved without releasing excess purchasing power.

--The balance of the state budget must also be improved through better management and rational savings; income must be increased and expenses must be reduced.

Our economic opportunities next year, the fulfillment of the fifth five-year plan and the sixth five-year National Economic Plan are largely dependent upon our results in the execution of this year's plan. Consequently, during the remainder of the year we must accelerate the implementation of measures adopted thus far and take additional steps without delay in order to achieve tangible improvement of the trade balance situation.

Labor Management and Wage Development

Of fundamental importance for the society and the economy is the employment of the work force in areas which are beneficial for society as a whole; in every field, the work force must not exceed the number which is indispensable for the activity in question. These demands are gradually being put into practice. The effect of steps aimed at the improvement of labor management is favorable. Industrial labor shortages and desirable work force mobility have been reduced.

Effective measures have been taken in a number of enterprises, economic organizations and several megyes to improve labor management and work force efficiency. These initiatives demonstrate that it is possible to achieve rational manpower regrouping without noticeable tensions provided that suitable political conditions are created.

Adaptation to changing economic conditions and the encouragement of favorable economic tendencies require more efficient utilization of wage policies to achieve the goals of our economic policy. The need is for strengthening incentives toward better and more effective work through wage policy and development of the wage system and wage regulations. To this end, it is reasonable to strengthen the relationship between the achievements of enterprises and wage increases; within reasonable limits, salaries should be differentiated among enterprises. In spite of the large scale salary outlays of the past few years, differentiation among salaries paid by enterprises has been insufficient. Wage increases were separated from rising productivity. Wage egalitarianism is still continuing. This is illustrated by the fact that the overwhelming majority of industrial enterprises increased their wage levels at approximately the same rate. Enterprises with unchanged profits increased their wage levels by 8.1 percent, while those with profit increases exceeding 20 percent increased their wages by 9.3 percent, i.e., at approximately the same rate.

In the interest of providing incentives toward better work, it is necessary to make wages and salaries more closely dependent upon individual performance and to increase differentiation in this regard. This is the fundamental prerequisite for further development of the wage system. During the coming period it will be necessary to carry out several tasks concurrently in the area of wages. Wage standards must be modified so that they do not limit wage adjustments corresponding to performance. To this end, the national wage schedules for job categories must be eliminated. The proportion of individual wage categories providing more incentives must be increased and performances must be judged realistically; in addition, more attention must be paid to collective wages and lump-sum payments. The current practice of guaranteeing wage levels already established, irrespective of performance, must be eliminated. The goal is to establish a connection between performance demands and every forint of one's salary, not just salary increases.

Understandably, salary differentiation encouraging more efficient work and increased performance requirements may be accompanied by some social tensions. It must be made clear to everyone that it is not possible to avoid tensions in wage policy during the accomplishment of our economic policy goals; in the interests of society as a whole, these tensions must be accepted.

Rational work force management and the reduction of labor shortages can contribute significantly to increased performance demands, improved work discipline and the increased role of wages as incentives. Rightful interests of employees must be taken into account but must be subordinated to requirements of efficiency in accelerating manpower regrouping processes within productive and non-productive sectors. Improvement of work force management represents a continuous task and is one of the fundamental requirements with regard to the leadership. Increasing demands on workers and rationalizing labor utilization must be extended beyond the enterprises to include institutions, offices, manual or intellectual workers, subordinates as well as the leadership. This is especially important in areas with significant labor shortages, e.g., Budapest and the larger industrial regions.

The Necessity of Developing the Price System

Based on the position adopted by the Central Committee, state organs are preparing a comprehensive revamping of producer and consumer prices for 1980. The price reorganization represents a significant step forward in the direction of insuring that prices provide the correct orientation for economic decision-making.

The fundamentally new feature of the price system being formulated is its tendency to establish an organic relationship between domestic producer prices and world market prices while at the same time creating a more rational relationship between producer and consumer prices. We intend to operate the new price system in such a way that these relationships become strong and permanent. This is necessary in order to insure that the profitability of products increasingly reflect the efficiency of production as measured by international standards and that prices act as directives and incentives toward improved efficiency, conservation, technological development and structural modernization of production and consumption.

It is well known that the degree of involvement of our country in the international division of labor (its openness and its sensitivity to foreign trade) is quite substantial. Much of the base materials, semi-finished products and modern technology is purchased from abroad and must be paid for by suitable exports. Under these circumstances, every enterprise is connected to foreign markets either directly or indirectly. The effects of external markets must be transmitted to enterprises and consumers through the elements of the economic direction, including regulations and prices.

In the case of base materials, energy and high volume semi-finished products the producer price reorganization must be aimed at setting prices on the basis of import prices from capitalist markets. In the product groups mentioned, the expansion of production in general requires the expansion of imports; due to the almost total absence of cheaper sources, these can be obtained almost exclusively at the world market price. As a result, the new price calculations must reflect the increasing costs associated with the resources necessary to expand production: this is a basic fact of life for us. Our basic interest is to conserve energy and base materials and to improve the efficiency of their utilization. During the past one or two years and even within the last five months there have been substantial price increases in the area of energy, aluminum, base chemicals, lumber, leather: we cannot avoid letting users be aware of this fact.

The new producer price system will be based on the principle of prices calculated in accordance with world market prices for a substantial part of the processing industry. Up until now, the enterprises of processing industries were not influenced by world market prices unless they were producing for export. Most of their output was sold domestically where prevailing prices had nothing to do with international market prices. Under the present price system, prices are based on domestic production costs plus added profits in all cases. Since there is no reliable way to separate justified and unjustified costs, enterprises were generally able to pass on costs when trading with each other, even in cases where those costs were caused by less than efficient activities. This time, the price calculation method to be introduced will allow the passing of increased costs on to domestic customers only in those cases where they can obtain the same prices from foreign customers on the capitalist market.

This is a very strict requirement for price calculations; however, it is the only means available to prevent, in a rational manner, the automatic granting of the costs of bad work. The new price calculations reflect the demand for insuring that only those enterprises retain suitable profits which can reduce production costs by stopping uneconomic production, waste of material and energy and uncovering reserves within organization and manpower management. This price calculation method will also assist in much-needed clear thinking in economic matters.

It is not possible to completely switch over the price calculations in accordance with world market prices with the producer price system to be introduced in 1980. This is explained by the fact that a substantial portion of industrial and agricultural production would become loss-making if all domestic prices would be set on the basis of the export prices our enterprises can obtain in the capitalist marketplace. Although this points to the fact that many enterprises are operating with production costs which are too high in comparison with capitalist market prices (i.e., their production structure is not sufficiently up-to-date, their work organization is deficient, their international marketing activities are not suitable, in some cases they are

hindered by discriminatory practices); still, it is not possible to accept the inability of these enterprises to function. At the same time, continuation of the present excessive sheltering of enterprises is not a feasible option.

A reduction of the present sheltering of production and enterprises and the related forceful increase in the pressure to improve efficiency has become one of the fundamental questions of our economic development.

The producer price system to be introduced in 1980 will not put a single enterprise out of operation. This will be achieved by temporarily setting the domestic prices of less efficient enterprises at a level above their export prices and therefore giving them preferential treatment. However, these preferences will be in force for a limited period only and their volume will be gradually reduced. These enterprises will have an opportunity for further development only in case they achieve rapid changes in their production structure and their efficiency is substantially improved.

Thus, it is necessary to make compromises in establishing a tie between domestic and work market prices mainly as a result of efficiency-related problems. When deciding on the amount of compromises, the economic leadership must be careful to raise standards every year in the interests of higher efficiency requirements, but avoid raising them too high since it is not possible to build a system of direction and regulation based on demands which are impossible to satisfy. The 1980 producer price system will extend the price calculation method in question to almost 70 percent of industrial production. At the present time it cannot be implemented in agriculture, food industry, construction and the building materials industry and the service sector in general. Nevertheless, the normative aspects of financial regulations must be increased in these areas as well to prevent the automatic passing of costs on to customers.

In agriculture and the food industry the aim is to use the new price system to strengthen incentives for improving quality and to better satisfy market demands. In formulating the domestic price relationships of products the international price relationships must be taken into consideration in order to promote economical exports. These factors necessitate a differentiated rise in purchase prices and raising producer price levels within the food industry.

The task is not just to establish an organic relationship between domestic and international market prices during the course of price reorganization: in addition, this relationship must be continuously preserved and strengthened.

All of this must be accomplished during a period of significant inflation in the capitalist world; to the extent possible, we want to protect the national economy from the unfavorable effects of this inflation. This can be done only if economic efficiency is substantially improved and grows at a rate at least

equal to that of our competitors in the international market. In this case the prices of our export products will generally grow at the same rate as do import prices, thus providing an opportunity to protect the relative value of the forint through exchange rates and to avoid undesirable inflationary effect of the international market. Consequently, our further economic development will be decisively influenced by our success or failure in making domestic production internationally competitive. The new producer price system sets this goal before production.

The mere announcement of the introduction of a new producer price system led to several results. It revealed shortcomings in the operations of many enterprises but it also encouraged better work. On the other hand, one could already see attempts toward the relaxation of demands and securing individual exemptions. Economic and political leadership must take resolute action against these tendencies toward softening. If we are willing to reduce our requirements then we give up the only promising means of restoring balance and achieving economic stability, viz. the improvement of economic efficiency.

Development of the Consumer Price System

During the history of our socialist society, consumer prices were kept more or less separate from producer prices, mainly as a result of political considerations. This separation was established three decades ago when the quality of production in our country was still low and the most important goal was to insure that everyone was able to make a living, even if at a modest level. This goal was promoted to a significant extent by the fact that the consumer price of essential goods were low. Thus, consumer prices were consciously separated from production costs.

During the decades that have passed since then we made significant progress with regard to improved production quality as well as increased income and consumption by the population. In the recent past we took steps to change the system of consumer prices which developed separately from production conditions; nevertheless, we were unable to make significant progress toward eliminating this separation altogether. At present levels of development the separation between consumer prices and the conditions of production runs counter to our social goals. The results of excessively large and widespread consumer price subsidies include:

--subsidies are given to social strata whose living standards do not justify them (e.g., some higher categories of hotels and restaurants);

--they do not encourage conservation and in some cases (e.g., bread) they result in wasteful consumption;

--consumption thus influenced has an unfavorable, distorting effect on production and slows the rational transformation of the consumption structure.

This is why some of the unjustified consumer price subsidies which are not in accordance with our level of development must be eliminated and a flexible consumer price mechanism must be put into operation in order to insure the parallel development of producer and consumer prices in a manner which is consistent with our policy on living standards.

It is not possible to have a long term, widespread separation between producer prices on one hand and consumer prices on the other. Since substantial changes are required with regard to producer prices, this will also have an effect on consumer prices.

In a price system which creates a closer relationship between production and consumption than the one existing at present there will still be a way to implement consumer price changes so that the requirements of the policy on living standards are taken into consideration in accordance with the fundamental principles of socialism. In the spirit of our social goals, we will maintain price preferences over the long run irrespective of the changes in the price system in areas such as child care, education, health, culture, etc.

The formulation of new producer prices is in its final phase. The necessary corrections may be put into effect during the second half of the year and the new producer prices can be introduced in conjunction with other elements of the system of regulators in 1980. Consumer price measures were put into effect before the introduction of producer prices; however, there exists an essential relationship between the two.

The reorganization of consumer prices will also reduce our trade balance problems since it will start the tendency toward desirable changes in the structure of consumption and may help in creating a capitalist export product base exceeding planned levels. The favorable effects of import savings on our trade balance are expected to show up even earlier and the positive effects expected as a result of the increased economic benefits of tourism will be felt more quickly.

These favorable effects are indispensable from an economic standpoint since the planned improvements in efficiency and the trade balance did not materialize and the terms of trade are expected to deteriorate even further.

Within the framework of the consumer price increases there was a 20 percent increase in food prices. The production costs of food will rise significantly as a result of the reorganization of producer prices, mainly due to increased purchase prices. The state will continue to subsidize food at a rate which is essentially unchanged. For example, the production costs of meat and meat products went up recently to such an extent that the volume of consumer price supports had to be increased in spite of the 26 percent average price hike. In this product area as well as in the setting of prices for edible oils we paid very close attention to export potential. In the case of products which can be exported on relatively favorable terms there have been steeper price increases and price support for these products have decreased faster than average.

With regard to milk and milk products, subsidies remain at the same level in spite of the price increases. The price of milk is now 6 forints per liter but the cost of its production, processing and distribution amount to almost 9 forints.

The consumer price of bread, flour products and related items went up by an average of 34 percent; in particular, the price of bread went up by 50 percent. The price of bread remained unchanged for 28 years. The price increase made it possible to do away with consumer price subsidies altogether; we are also counting on a decrease in large scale waste. In spite of the 20 to 23 percent increase in the price of canning industry products and sugar, the volume of state subsidies for these products decreased only slightly.

Hotel and restaurant prices are following the food price hikes. The increased costs of food is passed on to consumers in child care institutions, factory canteens and recreational fees; thus, these fees will also go up.

The consumer price of heating fuels and heating services were last raised in 1974; the price of electrical energy was unchanged for 15 years. It is well known that most of our energy is imported from abroad. Import prices rose significantly during the last five years. No matter which country the energy is imported from, in practice it can only be obtained at a high price. This large scale cost increase is the reason why subsidies for household energy consumption is worth pointing out that fees for centralized heating and hot water went up by 40 percent but they pay for only one third of the true cost of these services.

The demand for electrical energy is increasing rapidly but there are large increases also in the cost of production. For example, it would be necessary to raise the consumer price of electrical energy by 90 percent instead of 50 percent in order to pay for the cost of electricity production.

Two thirds of the present price increase was concentrated in increased prices for food and household energy. In addition, we implemented price increases in the areas of building materials, motor vehicles, furniture, detergents, shoes and certain services. There still exists a gap between production costs and consumer prices even with the new prices; however, had we not taken this step, the gulf between producer and consumer prices would have continued to widen to reach a total volume greater than at any time during our socialist development.

By developing our producer price system we are striving to reach a point where prices consistently reflect true costs. In most cases the new consumer prices will insure that the population have a more realistic sense of the changes affecting the conditions of production and each person take this into consideration in his or her personal consumption.

The substantial consumer price increases affecting the population as a whole and including a wide range of basic goods provided justification for direct income supplements for the largest possible segment of the population. Therefore, measures were taken to award income supplements concurrently with the price rises.

In accordance with past practice, income supplements were awarded to all wage earners: workers, employees and cooperative workers; all of those receiving benefits, i.e., recipients of pensions, allowances, child support payments, regular social assistance, family allowances and scholarships.

Based on considerations of social policy, income supplements also extend to spouses of pensioners who reached retirement age but have no independent income, children living in one-child families and students enrolled in a regular course of studies at a high school or an institute of higher education who receive no family allowances or scholarships. In the case of single-child families, the income supplements are justified by the fact that most of those concerned are young people who are burdened in any case by raising a family, obtaining an apartment and establishing an independent existence. The extension of spouse supplements is necessary because in this category there are two people living off of a single pension. Income supplements are being awarded to more than 10 million people, i.e., almost the entire population.

The decision on varying the amount of income supplements has been reached by evaluating the effects of consumer price increases on the principle population strata. The adult population must be given larger supplements than children because the increase in household energy consumption is not proportional to the number of children. The award of smaller income supplements to cooperative workers in agriculture is justified, since extra outlays resulting from increased food prices are noticeably smaller for those who possess household or auxiliary plots than for those who do not.

The experience of past years provides clear evidence to support the correctness of the practice of awarding fixed-sum payments to provide direct compensation for price increases.

The income supplements awarded in conjunction with the extra expenses for the population as a whole. Beyond the income supplements, the extra expenses can only be replaced through better work, higher output and the resulting higher income. Additional sums will be made available for those who need help the most within the framework of social assistance. Nevertheless, we must expect that the improvement in living standards during 1979 will fall below the planned level.

Insuring the acceptance and understanding of consumer price changes in conjunction with the 1980 producer price reorganization presents a big task for party organizations and will represent an important test of mass

organizational work. There has been no price reorganization with the same scale, scope and implications for almost three decades in our country. Nevertheless, price changes were objectively necessary because the economy of our country is tied to the world economy through a thousand channels. Under the conditions of recent years this sets higher standards for our national economy which can be reached only if prices reflect true costs much more realistically. This is the point which our political agitation work must get across. At the same time, suitable importance must be attributed to the fact that price increases were tied to income supplements in proportion to our capabilities; this expresses our unchanged intention to develop consumer prices at all times in accordance with the goals of our policy on living standards and not to separate consumer prices from their social implications.

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ECONOMIC RESULTS IN TRANSPORTATION FOR 1978

Belgrade TRANSPORT in Serbo-Croatian May 79 pp 12-16

[Article by Vojislav Savic]

[Excerpt] The Physical Volume of Work in Transportation

The results of the physical volume of work in transportation were affected by general economic trends in the country, primarily by production and consumption fluctuations, as well as by international trade and labor conditions on the international transportation market. It can be said that transportation showed essentially the same tendencies as the economy in general, particularly where freight transportation was concerned. The dynamics of passenger transportation were somewhat lower. This year the transportation systems fulfilled their responsibility to provide services to the economy and the society.

In 1978, 8 percent more goods were carried, while transportation output (in net ton/kilometers) was up by 9 percent. The number of passengers carried increased by 3 percent, while the net transportation output (in passenger/kilometers) rose by 5 percent compared with the totals for 1977.

Compared with 1977, the following tendencies were recorded in freight transportation in 1978 in terms of volume of transportation and transportation output expressed in an index:

Table 1	Freight Volume	Transportation output
Overall transportation	108	109
Railroads	104	105
Maritime shipping	108	109
River shipping	105	97
Air transportation	88	73
Highway transportation	113	114

Of the total volume of freight, about 81 percent was carried by domestic transportation. Public highway transportation accounted for about 47 percent, railroads for about 34 percent, river shipping for about 10 percent and maritime shipping for about 9 percent of the total amount. The average distance carried varied: in highway transportation the average was about 126 km (with domestic hauling averaging 115 km and international shipments 631 km), while the railroad average was about 290 km, maritime (7822 km) [figure as published is 8.220% km] and river shipments about 227 km.

In 1978 the transportation system carried a total of 240,591,000 tons of freight, an increase of 18,788,000 tons, or 8 percent, over the preceding year.

It is typical that the railroads and highway transportation together accounted for 80.8 percent of the total freight carried, thus confirming the experience of the past 5 years, when this percentage has been at approximately that level, fluctuating from 79.4 to 80.8 percent.

It is interesting to examine the shares of the railroads and of highway transportation in total freight carried in the last 5 years, as shown in the following summary (table 2).

Table 2

Thousand tons of freight					Percentage of total		
Year	Railroads	Highways	Railroads and highways	Total	Railroads and highways	Railroads	Highways
1974	81,506	80,634	162,740	200,740	80.8	40.6	40.2
1975	77,730	83,390	161,120	202,815	79.4	38.3	41.1
1976	73,726	84,062	157,788	198,713	79.4	37.1	42.3
1977	77,432	100,487	177,919	221,803	80.2	34.9	45.3
1978	80,765	113,083	193,848	240,591	80.6	33.6	47.0

The summary in table 2 shows that, compared with 1974, about 40 million additional tons, or 20 percent more, was carried in 1978.

The share of highway transportation in total freight carried in 1974 amounted to 40.2 percent, while the railroads' share was 40.6 percent. From year to year the share of highway transportation has increased steadily, while at the same time the portion carried by the railroads has decreased, so that in 1978 the highway carriers' share had grown to 47 percent, while that of the railroads had declined to 33.6 percent. In this 5-year period, railroad participation in the total fell by 7 percent, while the share of highway transportation in total freight shipped increased by 6.8 percent.

Transportation output expressed in net ton/kilometers (tkm) shows that the railroads carried 23,081 million tkm in 1974 and 23,379 million tkm in 1978, which represents an insignificant increase of 1.3 percent. At the same time, highway transportation in 1974 handled 9,803 million tkm, which rose to 14,214 million tkm in 1978, representing an increase of fully 45 percent.

It is noteworthy that in 1974 the average distance of a shipment by rail was 283 km, with the corresponding highway figure being 122 km; in 1978 the average distance of shipment by rail was 290 km while that by highway was 126 km. Thus, the average distance of shipment of goods increased insignificantly in this period.

In the coming period suitable measures should be undertaken to realize the intentions of the Social Agreement on Yugoslav Transportation Policy concerning the division of labor in the transportation market. This means that in this sector efforts should continue in the direction of creating objective conditions that will assure a policy of rational and economical utilization of transportation. At the same time, measures should be prepared and implemented for the further development and modernization of transportation, including measures for cooperation between the railroads and highway transportation systems, as well as other forms of transportation, to provide transportation "from door to door."

In 1978 maritime shippers carried 21,672,000 tons of freight, for about a 9 percent share of the total cargo shipped. In other terms, maritime transportation totaled 178,137 million tkm in 1978, which meant that, of the total ton/kilometers of the transportation branch, maritime shipping accounted for about 80 percent.

In 1978 there was an increased volume of shipping between foreign ports, although the competition in the international shipping market was very intense.

At maritime ports and river docks, total trade increased by 4 million tons, or 6 percent. Total cargo at maritime ports increased by 6 percent, while at river docks it was up by 5 percent. In international trade at maritime ports, exports were down by 7 percent, while imports and transit cargoes increased by 9 percent and 13 percent, respectively. International trade, and particularly transit shipments, are areas of transportation services where special support should be provided and conditions created for more rapid development, since income from these activities brings in significant amounts of convertible currency that contributes to the balance of payments situation with foreign countries. It is well known that Yugoslavia, due to its territorial and geographic location, has considered transit shipping potential, and for many other countries Yugoslavia represents the most direct land, sea, river, air and other transportation routes. This natural advantage should be developed in order to achieve even better results in the area of transportation services.

The number of passengers carried in terms of passenger/kilometers in 1978 showed the following trends as compared with the preceding year (1977 = 100).

Table 3

Indices

	No of passengers	Passenger km
Total transportation system	103	105
--railroad transportation	91	103
--maritime transportation	115	165
--river transportation	120	128
--air transportation	121	122
--highway transportation	104	102

In 1978 a total of 1,039,500,000 passengers was carried, an increase of 27.6 million, or 3 percent, over the preceding year.

Of the total number of passengers, 99 percent were carried in domestic transportation. Of the total passenger transportation in the year being considered, the railroads and public highway transportation together accounted for 98.8 percent, with the railroads carrying 10.8 percent and public highway transportation carrying fully 88 percent; all other means of transportation accounted for only 1.2 percent of the total. The average distance traveled varied for individual branches of transportation. For the railroads the average was 96 kilometers; for public highway transportation it was 31 km; for maritime travel, 32 km; in air transportation, which accounted for only about 0.5 percent of the total passengers, the average distance traveled was 957 km.

Since public highway transportation and railroad travel account for most passenger travel, let us review their shares in passenger transportation in the past 5 years:

Table 4

Year	Passengers (in thousands)			Total	Percentage share		
	Railroads	Highways	Railroads and highways		Railroads and highways	Rail-roads	High-ways
1974	134,926	828,483	963,409	972,457	99.9	13.8	85.2
1975	129,079	893,824	1,022,903	1,032,593	99.1	12.5	86.6
1976*	126,492	842,221	968,713	975,466	99.3	13.0	86.3
1977*	123,546	878,116	1,001,662	1,011,864	99.0	12.2	86.8
1978*	112,205	915,263	1,027,468	1,039,475	98.8	10.3	88.0

As this survey shows, total passenger travel in 1978 increased by 67 million, or 6.9 percent, over 1974.

It is also apparent that the share of the railroads in passenger travel has declined from year to year, from 13.8 percent in 1974 to 10.8 percent in 1978, for a total decline of 3 percent in the period being analyzed. In the same period, public road transportation has shown a constant increase in passengers carried, from 85.2 percent in 1974 to 88.0 percent in 1978.

Transportation output from the point of view of passenger/kilometers (pkm) has shown a tendency similar to that of passengers carried. For example, in 1974 the railroads accounted for 10,429 million pkm, or 27.8 percent of the total passenger/kilometers in transportation as a whole. In 1978 this figure was 10,759 million pkm, or only 24.4 percent. Conversely, public highway transportation in 1974 provided 23,379 million pkm, representing a 62.4 percent share of the total passenger transportation in pkm. In 1978 public highway transportation accounted for 28,356 million pkm, or 64.2 percent of the total passenger/kilometers of transportation as a whole.

It is apparent that the redistribution in carrying passengers continues to change to the advantage of public highway transportation, where development has taken place at a rapid pace, often more rapid than the development of the highway system itself.

Urban transportation handled 1.5 billion passengers in 1978, an increase of 56 million, or 4 percent.

*These data are decreased by the amount of suburban transportation, which according to the new categories of activities is included in urban transportation.

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YUGOSLAVIA

DATA ON HIGHWAY TRANSPORTATION FOR 1978

Belgrade TRANSPORT in Serbo-Croatian May 79 pp 49-51

[Article by V. Zivkovic]

[Excerpt] According to the results achieved, it can be considered that the organizations of associated labor involved in public highway transportation operated successfully in 1978, despite numerous difficulties and problems. This conclusion is indicated not only by the results achieved in transporting cargo and passengers, but also by the economic effects accomplished.

The results achieved by public highway transportation in carrying goods were above average in the overall transportation sector, while in carrying passengers the results were somewhat weaker.

The financial results and the economic effects of operations were similarly favorable. Organizations of associated labor in highway transportation increased their total income by 29.7 percent, their amortization fund by 29.4 percent, income by 37.6 percent, and reproduction capital by 28.7 percent. Income per worker also increased, by 31.1 percent, while the capital production capacity rose by 4.7 percent. These important indicators of material and financial operations confirm that operations were conducted well last year and that favorable economic effects were achieved, despite certain reservations that must be taken into consideration due to changes in the system for calculating income.

It should be stressed that these results are the more meaningful since they were achieved under relatively unstable operating conditions, in circumstances that hampered the importation of vehicles, production materials and spare parts and with inflation of expenses and prices, increased prices for fuel and the like. Thanks primarily to increased industrial production and increased transportation of cargo in the domestic markets, however, where public highway transportation achieved an above-average growth, these successful results were achieved.

Favorable financial results and economic effects were recorded in the transportation of passengers as well as in cargo operations. For example, the increase in total income for freight transportation amounted to 30.5 percent, while in passenger travel it was 26.3 percent. Income in freight transportation grew by 39.9 percent, while for passenger travel it was 29.7 percent. The corresponding figures for production capital increases were 31.3 percent and 20.4 percent.

Without detailed microanalyses it is difficult to give a precise answer to the question as to what, and to what extent, the decisive factors were in accomplishing these and similar results last year in public highway transportation. It is indisputable that the greatest effects came from the results achieved in carrying freight and passengers, but it is certain that there were other factors, such as the price of transportation, the product mix of the freight shipped, operational efficiency, better utilization of capacity, etc. It should be said, however, that a number of organizations of associated labor operated with losses, which for the entire branch of the economy amounted to 952 million dinars (compared with losses of 2,421 million dinars in 1977).

Passenger and Freight Shipping

As stated above, the public highway transportation system achieved very good results in shipping freight, relatively the best results in the transportation industry. Last year transportation as a whole showed an increase in volume of 8 percent, while for the public haulers the increase was 13 percent. Of the increase of 18.7 million tons of freight over the preceding year, public highway transportation handled about 13 million tons, and all other branches carried 6.7 million tons. The share of public highway transportation in total freight shipping was 47 percent, while the railroads carried 34 percent, river transports 10 percent, and maritime carriers 9 percent.

The public highway transportation system also had the largest growth in work volume (transportation output in ton/kilometers). While the volume of labor in transportation as a whole increased by 9 percent (with the railroads experiencing a 5-percent growth and maritime shippers 9 percent), for highway shippers the growth amounted to fully 14 percent.

Despite the differing social orientation (according to the Social Agreement on the Yugoslav Transportation Policy), the share of public highway transportation in shipping freight has grown steadily. For example, in 1974 the railroads carried 81.5 million tons of freight and accounted for 23.0 billion t/km. That same year, the public highway shippers carried 80.6 million tons of freight for 9.8 billion t/km. In 1978 both the volume of freight and the labor volume of railroad transportation were at nearly the same level as 5 years previously, while public highway transportation had

increased its freight volume by about 33 million tons, or 40 percent, and its transportation output by 4.2 billion t/km, or 45 percent. Of course, these trends have brought changes in the share of organizations of associated labor of these branches in freight shipping. In 1974 the railroad's share of total freight shipping (based on t/km) was about 70 percent, compared with the public highway shippers' 30 percent; in 1978 that ratio changed to 62:38 percent.

Table 1: Shipping in the Public Highway Transportation System

Item	1977	1978	Percentage
1. Freight shipped, thousand of tons	100,487	113,083	113
--domestic shipments	98,275	110,762	113
--exports	748	803	107
--imports	1,287	1,271	99
--transit	149	168	113
--shipping in foreign countries	28	79	282
2. Ton kilometers, millions	12,510	14,214	114
--domestic shipments	10,893	12,748	117
--exports	738	662	90
--imports	619	576	93
--transit	227	169	74
--shipping in foreign countries	33	58	176

It is difficult to expect that, without greater efforts by the railroads themselves, the future will bring noticeable changes in the ratio of freight shipping. The increasing volume of production and commerce requires more rapid equipping of the railroads to accept greater quantities of goods than are presently being carried, while the public highway transportation system, despite all the charges of a supposedly favored position, continues to show greater operational and working initiative, which gives favorable effects.

Last year the capacity of the public highway transportation system in numbers and carrying capacities grew by about 6 percent. By the end of 1978 the number of trucks reached 21,493 (compared with 20,367 at the end of 1977), with a carrying capacity of 223,953 net tons (compared with 223,269 net tons at the end of 1977). The number of freight trailers decreased somewhat, to 8,121 with 119,730 net tons capacity, compared with 8,353 with 126,305 net tons at the end of 1977.

Last year the total number of passengers carried was 1,039 million, a 3-percent increase, while the transportation output amounted to 44,136 million passenger/kilometers, a 5-percent increase over 1977. Of this total of passengers, public highway carriers transported 88 percent and the railroads 10.8 percent. The transportation output in passenger/kilometers by individual branches of the transportation industry was as shown in table 2.

Table 2. Share of Total Passengers Carried (in percentages)

Description	1977	1978
All transportation	100.0	100.0
--railroads	24.9	24.4
--highway carriers	66.0	64.6
--Others (chiefly air carriers)	9.1	11.0

Table 3. Passengers in Highway Transportation

Description	1977	1978	Percentage
Passengers carried (in millions)	878.1	915.3	104
--domestic routes	872.8	911.3	104
--international routes	5.3	4.0	76
Passenger kilometers (in millions)	27,706	28,356	102
--domestic routes	26,810	27,700	103
--international routes	896	656	73

This survey shows that the growth in the volume of passengers carried in public highway transportation last year was somewhat less both in volume and in output than in previous years. The number of passengers carried on international routes declined more noticeably because of decreased involvement in international routes, but also due to the constantly increasing role of air transportation in international travel.

The carrying capacities of highway passenger carriers were increased, but much less than in previous years. At the end of last year there were 10,700 buses with 464,476 seats, while a year before that there had been 10,471 buses with 448,095 seats. The number of seats thus increased by about 3 percent.

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BUSINESS RESULTS IN RIVER TRANSPORTATION IN 1978

Belgrade TRANSPORT in Serbo-Croatian May 79 pp 57-63

[Article by Stevan Jungic, MA]

[Excerpt] Implementation of the Agreement on Development for the Period 1976-1980

The Agreement on the Bases of the Social Plan of Yugoslavia for the Development of River Shipping and Port Economics foresees the expansion and modernization of the river fleet and the principle river dock facilities, improvement of service quality, and more rational systems of shipment and transshipment. Special tasks include increasing the share of river shipping in carrying freight on international routes, as well as in domestic shipments. This agreement, however, does not say anything about improving the navigability of the rivers (by flow regulation, better maintenance and channel marking), even though such factors comprise the natural bases for the advancement of river transportation the level of development of the river fleet capacity and the port system depends in large part on them.

At the same time it is regarded that the average annual growth in shipping freight and traffic in the river ports should be in the range of 7.5 to 8.0 percent annually.

The share of river shipping in total continental shipping in the period 1975 to 1978 is shown in percentages in the following table:

Branch of transportation	1975	1976	1977	1978
Railroads: tons	42.6	41.2	38.4	36.8
ton/kilometers	57.6	55.6	54.8	53.9
River shipping: tons	11.7	11.8	11.8	11.4
ton/kilometers	14.6	14.8	14.3	13.3
Public Highways: tons	45.7	47.0	49.8	51.8
ton/kilometers	27.8	29.6	30.9	32.8

It should be noted that compared with the base year of 1975, the share of river transportation fell in 1978 when measured by the volume of shipping and the shipping output.

Taking the results achieved in the volume of shipping and the actual shipping output in 1975, along with the actual volume of trade in river ports as the bases, and increasing them successively each year by the planned 8 percent annual rate and comparing these calculations with the actual results of those same years, we find that the volume of freight shipped and the river port activities, as well as the shipping output, are below the planned figure every year. On the basis of that sort of comparison, the lag in 1978 in the quantity of freight shipped and handled at river ports is about 6.8 percent, and in the shipping output category it is fully 17 percent below the planned figure for the same years.

A comparative survey of the planned and achieved volume of shipping and freight traffic in river ports and the shipping output results for the years of the completed planning period, applying the estimated growth rate from the agreement, gives the picture shown in the following table: [figures as published]

	1975*	1976	1977	1978
Planned Values				
a. Freight shipments: thousand tons	21,338	23,045	24,889	26,880
million ton/km	5,461	5,898	6,370	6,879
b. Traffic in river ports: thousand tons	23,605	25,493	27,533	29,735
Actual Figures				
a. Freight shipments: thousand tons	21,538	21,232	23,720	25,062
million ton/km	5,461	5,576	5,796	5,708
b. Traffic in river ports: thousand tons	23,605	24,012	26,398	27,709
Differences				
a. Freight shipments: thousand tons	0	-1,813	-1,169	-1,818
million ton/km	0	-322	-574	-1,171
b. Traffic in river ports: thousand tons	0	-1,481	-1,135	-2,026

*The base year, for which data are alike for the plan and for actual performance

We note that the difference in the quantity of freight being carried remains at approximately the same level in absolute terms, but that the negative balance in shipping output accumulates and in each succeeding year grows in absolute terms, so that in 1978 it is 3.6 times as large as it was in 1976. A certain cumulative effect can also be discerned in freight handled at river ports.

In the period 1975-1978 the average volume of freight carried by river showed a 5.43-percent increase, with a shipping output increase of only 1.48 percent annually, while the growth of freight handling in river ports amounted to 5.5 percent.

This rate of growth does not offer a basis for realizing the intermediate developmental plan for river shipping and ports. To achieve the volume of traffic and transportation output planned for 1980, it would be necessary in the remaining 2 years of the current intermediate plan to attain an average growth rate in freight carrying and traffic in river ports of about 11.8 percent annually, that is, twice the growth rate until now; on the other hand, transportation output would have to grow at a rate of 18.6 percent annually on the average, or about 12 times faster than in the completed years of the plan.

There is no material basis that would offer the possibility of realizing the planned volume and output of transportation and traffic at river ports. Even with the assumption that the necessary quantities of freight, about 2 million tons annually, could be diverted to river routes, the existing fleet and port capacities, as well as the status of the navigable shipping lanes (other than the Danube), do not offer the potential in the remaining years for the handling of such a volume of traffic without changes in other conditions (such as the organization of labor, productivity, stimulative measures, cooperation of shippers, users and river ports, etc.).

The share of internal or domestic shipping in the total tonnage increased from 82.6 percent in 1975 to 85.7 percent in 1978, while the share of international shipping in the total transportation output fell from 63.4 percent in 1975 to 58.5 percent in 1978. This decline in output in international shipping in the period being considered amounts to 1.11 percent annually.

In the total volume of traffic at river ports, the share of freight in international trade declined from 24.8 percent in 1975 to 22.2 percent in 1978, even though the absolute volume of this trade recorded an overall growth of 5 percent in that period, or an annual average growth rate of 1.64 percent.

The data show that the volume of freight in domestic shipping grew about 4 times faster than that of freight in international transportation, both in traffic at river ports and in freight shipping. The category involved is the rate of marginal growth, that is, growth in the period being

considered. In addition, the volume of freight traffic at river ports for export shows a certain decline throughout the period under consideration (with an index of 76.3), while imports have been rising constantly (with an index of 112.6), reflecting the structure of Yugoslav trade with foreign countries.

3. Actual Shipping and Traffic at River Ports in 1977 and 1978

According to preliminary figures of the Federal Statistical Institute, the actual volume of freight shipping by river according to destinations in 1977 and 1978 was as shown in the following table:

	Goods, thousand tons			Output, million ton/km		
	1977	1978	Index	1977	1978	Index
TOTAL	23,720	25,042	105.6	5,796	5,678	98.0
Domestic	19,936	21,482	107.8	2,165	2,383	110.1
International	3,783	3,560	94.1	3,631	3,295	90.7
--Exports	606	514	94.8	573	500	87.3
--Imports	2,986	2,907	97.4	2,875	2,663	92.6
--Transit	140	113	80.7	150	122	81.3
--External	52	26	50.0	33	10	30.3

In these data, two basic trends are manifested. In the first place, the quantities of freight shipped in 1978 showed an increase of 5.6 percent compared with the previous year, while the transportation output declined by about 2 percent, indicating as well that the average distance of freight shipment decreased by about 7.7 percent, or in absolute terms, by 17.6 km (from 244.3 km to 226.7 km). Secondly, domestic transportation recorded a volume growth in shipment of 7.7 percent and in output of 10.1 percent, while international shipments declined in volume by 6.3 percent and in output by 10.2 percent.

The decline in the average distance of shipment is the result of a function of the described trends in domestic and international shipments, for it is known that in domestic transportation freight is being shipped for shorter distances (averaging 111 km), and this shipping has grown significantly, while international shipments travel markedly longer distances (averaging 925 km in 1978).

In 1978 these trends led to an increase in share for domestic shipping, from 84.0 percent to 85.8 percent in tons, and from 37.4 percent to 42.0 percent in output terms. According to incomplete data, about 90 percent of the freight in domestic shipping is shipped for internal purposes, that is, it is not public transportation.

Traffic of freight at river ports, which in 1978 amounted to about 27.55 million tons, showed tendencies and a structure which are similar to those in river shipping and therefore had similar characteristics. First, the volume of traffic rose in 1978 by 4 percent compared with the preceding year, and in this increase domestic traffic increased by 6 percent while international freight handling decreased by about 3 percent. Secondly, the share of domestic freight handling grew from 76.6 percent to 78.2 percent, with a corresponding decrease in international traffic.

When the actual results for 1978 are compared with those for the preceding year, it is seen that the share of imports and exports carried on Yugoslav ships recorded an increase from 55.8 percent to 56.9 percent, which is regarded as a positive trend. An unfavorable circumstance is found in the fact that the coefficient of freight handling at river ports in 1978 was 1.78, with a moderate growth tendency compared with the preceding year, meaning that 78 percent of all freight was handled twice. That indicates a lack of work rationality and increased costs for handling goods at river ports, and thereby increased total costs for river transportation for the users of shipping services and for society. This situation cannot remain without consequence.

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YUGOSLAVIA

DATA ON 1978 OPERATIONS IN MARITIME SHIPPING REPORTED

Belgrade TRANSPORT in Serbo-Croatian Jun 79 pp 23-32

[Article by Gracija Jankovic]

[Excerpt] Carrying Capacity of Yugoslav and Croatian Shipping in 1978

The table shows the change in ship capacity.

	<u>1978</u>	<u>1977</u>	<u>Index, 78/77</u>
Yugoslavia			
Number of vessels	367	358	102.5
Thousands of gross registered tons	2,350.4	2,237.5	105.0
Thousands of deadweight tons	3,618.6	3,434.0	105.3
Croatia			
Number of vessels	302	296	102.0
Thousands of gross registered tons	1,551.5	1,484.0	104.6
Thousands of deadweight tons	2,320.4	2,219.6	104.5
Croatia's share in Yugoslav fleet, %			
Number of vessels	82.3	82.7	
Gross registered tons	66.0	66.3	
Deadweight tons	64.1	64.6	

Between 1977 and 1978 Croatia's merchant fleet grew 4.6 percent in gross registered tons and 4.5 percent in deadweight tons, slightly less than the growth of the Yugoslav fleet, which was 5.3 percent and 5.3 percent, respectively. In terms of the number of vessels the Croatian fleet represents more than 82 percent of the Yugoslav fleet, and in terms of gross registered tons it represents about two-thirds of total capacity.

The average age of the Yugoslav fleet is 10.7 years, and that of the Croatian fleet about 11.3 years, but this also includes work organizations whose average vessel age is more than 20 years.

About 43 percent of the vessels in the Yugoslav fleet are less than 10 years old, 44 percent are between 10 and 15 years old, and 13 percent are 15 years old or older.

With respect to 1977 the average vessel age has deteriorated by about a half a year, and proportionate changes took place in the age groups.

This composition of the fleet with respect to age is very unfavorable and considerably below the world average we have given. That is, if the functional capability of the fleet is assessed solely in terms of vessel age, it would follow that about 30 percent of the vessels (those over 15 years old) would have to be scrapped in the Yugoslav and Croatian fleets, depending on circumstances, i.e., about 705,000 gross registered tons would have to be scrapped in the Yugoslav fleet and nearly 480,000 gross registered tons in the Croatian fleet.

Nevertheless, the group of about 25 percent of the vessels which are less than 5 years old includes relatively up-to-date vessels, especially those built and purchased recently abroad (container, semicontainer and RO-RO vessels, multipurpose vessels, specialized vessels, and so on). However, the effort to update the merchant fleet has barely begun, and, along with a proportionate growth of capacity, this will be the primary task faced by our maritime shipping.

Volume of Traffic of the Yugoslav and Croatian Merchant Fleets in 1978

The total volume of traffic of vessels in the Yugoslav Merchant Marine, converted to the single standard of conventional ton-kilometers, was 9 percent more than in 1977, while that of the Croatian fleet was about 10 percent greater. By and large this is at the level of the growth in the physical volume of production (not including agriculture) and of industry, which were about 9 percent, and it approximates the overall 8 percent growth in the volume of transportation. But this barely reached the level of freight traffic in 1974, from which there has been a decline in subsequent years--8 percent in 1975, another 3.3 percent in 1976, and only in 1977 was there an increase of 3.4 percent.

The physical volume of maritime cargo traffic in millions of ton-miles was as follows:

	<u>1977</u>	<u>1978</u>	<u>Index, 78/77</u>
Domestic traffic	199	245	123.1
International traffic	<u>88,101</u>	<u>98,315</u>	<u>11.6</u>
Total traffic	88,300	98,560	111.6

These figures have not been broken down by basic organizations of associated labor from the various republics, but the growth trend is more or less similar, except that domestic transportation is handled almost exclusively by work organizations located in Croatia.

The physical volume of passenger traffic, expressed in thousands of passenger-miles, has been as follows:

	<u>1977</u>	<u>1978</u>	<u>Index, 78/77</u>
Domestic traffic	43,285	63,238	146.1
International traffic	<u>29,561</u>	<u>56,952</u>	<u>192.7</u>
Total passenger traffic	72,846	120,190	165.0

Though the figures have not been broken down by republics, the 46.1-percent increase in the volume of domestic passenger traffic pertains mainly to Jadrolinija and certain other tourist transportation operations in Croatia, while in addition to Jadrolinija, and cross-ocean work organizations of Croatia, which accounted for most of the 92.7-percent increase in international passenger traffic, Prekomorska Plovidba of Bar (ferryboat) and Splosna Plovidba were also involved, but because of their relatively small share this general growth trend pertains mainly to Croatia.

Total passenger traffic, in terms of passenger miles, increased 65 percent.

The trend was as follows in the number of passengers, in thousands:

	<u>1977</u>	<u>1978</u>	<u>Index, 78/77</u>
Domestic traffic	5,898	6,500	110.2
International traffic	<u>116</u>	<u>437</u>	<u>376.7</u>
Total passenger traffic	6,014	6,937	115.3

Though the figures are not broken down by republics, because of the dominant share of work organizations in passenger transportation from Croatia, this overall rate of growth is also typical of work organizations in Croatia: domestic traffic increased by about 10 percent in terms of the number of passengers, international traffic increased more than 276 percent, and total traffic more than 15 percent.

The results for passenger traffic by the ships and ferries of the merchant marine, if tours organized by tourist organizations and the operation of local carriers are excluded, are considerably more modest, as can be seen from the following table:

	<u>1977</u>	<u>1978</u>	<u>Index, 78/77</u>
Number of passengers carried, in thousands	4,918.6	5,161.6	104.9
By ferries alone, in thousands	3,234.0	3,486.0	107.8
By ferries alone, in percentage	65.8	67.5	—

Table (continued)

	<u>1977</u>	<u>1978</u>	<u>Index, 78/77</u>
Number of passenger-miles, in thousands	70,687	96,623	136.7
By ferries alone, in thousands	27,417	28,323	103.3
By ferries alone, in percentage	38.8	29.3	--

A comparison of these two groups of figures points up the expansion of tours and services by local carriers, giving them exceptional importance and supporting the view that maritime passenger transportation should be included and treated as a whole (not just as part of Jadrolinija) and examined as a function of tourism.

Moreover, the role of ferry traffic is making itself increasingly evident on the relevant crossings, especially because of the automobiles, trucks, refrigerated trucks and other motor vehicles carried. Converted to "standard vehicles" traffic was as follows, in thousands:

<u>1977</u>	<u>1978</u>	<u>Index, 78/77</u>
1,667.3	1,827.1	109.6

Though coverage is not complete and no detailed breakdown was made by republics, we can say that in 1978 ferries carried about 10 percent more motor vehicles than in 1977.

Volume of Cargo Traffic Carried by Vessels of the Yugoslav and Croatian Merchant Marine by Directions and Type of Trade, in thousands of tons

<u>Directions and Type of Trade</u>	<u>Volume of Traffic, in thousands of tons</u>			<u>Breakdown of Traffic, %</u>	
	<u>1977</u>	<u>1978</u>	<u>Index</u>	<u>1977</u>	<u>1978</u>
	Yugoslavia				
Exports	1,408.9	1,462.8	103.8	7.1	6.6
Imports	3,957.0	4,306.5	108.8	19.8	19.3
Exports + imports	5,365.9	5,769.3	107.5	26.9	25.8
Transit	544.8	467.8	85.8	2.7	2.1
Between foreign ports	11,981.1	13,911.3	116.1	60.0	62.4
Total international traffic	17,891.8	20,148.4	112.6	89.6	90.3
Domestic*	<u>2,092.3</u>	<u>2,159.3*</u>	<u>103.2</u>	<u>10.4</u>	<u>9.7</u>
Total traffic	19,984.1	22,307.7	111.6	100.0	100.0

Table (continued)

Directions and Type of Trade	Volume of Traffic, in thousands of tons			Breakdown of Traffic, %		Croatia's Share in Yugoslav Traffic
	1977	1978	Index	1977	1978	
Croatia						
Exports	1,060.8	1,142.6	107.7	7.7	7.3	78.1
Imports	2,984.0	3,529.2	118.2	21.6	22.6	81.2
Exports + imports	4,044.8	4,671.8	115.5	29.3	29.9	81.0
Transit	508.8	350.0	68.7	3.7	2.2	74.8
Between foreign ports	7,159.6	8,421.3	117.6	51.9	54.0	60.5
Total international traffic	11,713.2	13,443.1	114.8	84.9	86.1	66.7
Domestic*	<u>2,092.2</u>	<u>2,164.0*</u>	<u>103.4</u>	<u>15.1</u>	<u>13.9</u>	<u>100.0</u>
Total traffic	13,805.4	15,607.1	113.0	100.0	100.0	70.0

* The figure for domestic traffic is confined to Croatia, but once the figures are rounded off, there are only slight discrepancies between the figures for Croatia and for Yugoslavia.

It follows from the table above that total cargo traffic in tons was 13 percent greater for Croatian vessels and 11.6 percent greater for the Yugoslav fleet.

Total domestic traffic was up 3.4 percent in Croatia, and total international traffic was up 14.8 percent for organizations of associated labor located in Croatia and up 12.6 percent for the entire Yugoslav Merchant Marine. Cargo traffic between foreign ports was up 17.6 percent for Croatia and 16.1 percent for Yugoslav organizations of associated labor. Cargo traffic consisting of Yugoslav exports and imports was up 15.5 percent for Croatian and 7.5 percent for Yugoslav organizations of associated labor, which indicates that Croatian vessels had a slightly higher involvement in carrying our cargo shipments.

Transit traffic dropped 31.3 percent in Croatia and 14.2 percent in Yugoslavia as a whole; which means that Croatian organizations of associated labor had a relatively smaller share in this transit traffic, which in any case is modest.

The breakdown of traffic by directions and type of trade in 1978: Yugoslav exports and imports represented 29.9 percent of Croatian traffic and 25.8 percent of Yugoslavia's traffic; transit had shares of 2.2 percent and 2.1 percent, respectively; traffic between foreign ports represented 54.0 percent and 62.4 percent, respectively; and domestic traffic represented 13.9 percent and 9.7 percent, respectively, the latter consisting entirely of domestic traffic by Croatian vessels.

In 1978 Croatian work organizations carried 81 percent of Yugoslav exports and imports carried by Yugoslav vessels, 74.8 percent of the transit cargo, 60.5 percent of the traffic between foreign ports, 66.7 percent of total international traffic (exports + imports + transit + traffic between foreign ports), and 100 percent of domestic coastal traffic.

The table below shows proportional changes in the pattern of traffic by directions and type of traffic; they were very slight in 1977 and 1978.

An analysis made of the predominant share of cargo carried by Croatian vessels by types of traffic shows the following (in thousands of tons):

Type of Traffic	1977		1978		Index, 78/77
	Volume	Share, %	Volume	Share, %	
Line cargo*	3,047.7	24.9	3,219.1	23.5	105.6
Traffic of tramp shipping	5,704.5	46.6	6,709.1	49.0	117.6
Time charter	3,488.8	28.5	3,775.7	27.5	108.2
Total traffic*	12,241.0	100.0	13,703.9	100.0	112.0
Tanker traffic alone**	5,690.0	46.5	6,400.0	46.7	112.5

* Total traffic by types of cargo shows small upward deviations from total cargo traffic, because rate tons were in part computed for line shipping.

** Tanker cargo, given separately, is not totaled, since it is already contained in the total traffic for tramp shipping and time charter.

In the breakdown of 1978 by types of traffic, Croatian vessels carried 5.6 percent more line cargo, 17.6 percent more tramp cargo and 8.2 percent more cargo in vessels leased under time charter. Included here is a 12.5-percent increase for tanker cargo.

In the breakdown of the international traffic of Croatian ships in 1978 line cargo had a share of 23.5 percent, tramp cargo 49 percent, and cargo carried by vessels under time charter 27.5 percent.

Tanker cargo (petroleum and derivatives) had a share of 46.7 percent in total international traffic carried by Croatian vessels in 1978, while its share was 31.8 percent in the total international traffic of the Yugoslav fleet. The changes in proportion among the types of cargo were slight in 1977 and 1978, as can be seen from the table.

Vessels of the entire Yugoslav fleet under time charter carried 5,627,099 tons of cargo in 1977 (31.5 percent of total international traffic), while in 1978 they carried 5,832,599 tons (28.9 percent of total international traffic), which means a growth of 3.6 percent (the growth was 8.2 percent for Croatian vessels). This means that in 1977 Croatian vessels carried 62 percent of total time charter cargo, while their share in 1978 was 64.7 percent.

The tonnage of the entire Yugoslav fleet under time charter in 1977 was 1,228,142 deadweight tons (39 percent of the total 3,157,360 deadweight tons of the fleet), while in 1978 that tonnage was 1,259,255 deadweight tons (36 percent of the total 3,516,069 deadweight tons of the entire fleet), which represents a 2.5-percent increase.

These results in the traffic of vessels under time charter (about 30 percent of total international cargo) and the share of vessels under time charter in the total fleet (more than 36 percent of the fleet's capacity) indicate the significance of this type of business to our merchant marine. Along with traffic in tramp shipping time charter has the dominant impact on traffic between foreign ports (54 percent for Croatia and 62.4 percent for Yugoslavia), which has an essential impact on the operating results of shipping as a whole.

Share of the Vessels of Our Merchant Marine in Carrying Yugoslav Exports and Imports and Transit Through Yugoslav Ports

The volume of Yugoslavia's foreign trade was as follows in 1977 and 1978, in thousands of tons:

<u>Direction</u>	<u>1977</u>	<u>1978</u>	<u>Index, 78/77</u>
Exports	9,662	9,530	98.6
Imports	<u>27,288</u>	<u>28,876</u>	<u>105.8</u>
Total trade	36,950	38,306	103.7

Our total foreign trade increased, then, 3.7 percent.

The share of that passing through Yugoslav seaports was as follows, in thousands of tons:

<u>Direction</u>	<u>1977</u>	<u>1978</u>	<u>Index, 78/77</u>	<u>Proportions</u>	
				<u>1977</u>	<u>1978</u>
Exports	3,518	3,277	93.1	36.4	34.4
Imports	<u>12,612</u>	<u>13,592</u>	<u>108.6</u>	<u>45.9</u>	<u>47.1</u>
Total trade	16,030	16,869	105.2	43.4	44.0

The growth of Yugoslav exports and imports passing through Yugoslav seaports was slightly greater, 5.2 percent over the previous year. About 34 percent of Yugoslav exports and 40 percent of its imports went through Yugoslav seaports (by sea) in 1978; and the share of total exports and imports was about 44 percent. However, if we also take into account a portion of the freight which crossed the border on land and was then loaded on vessels (domestic or foreign) at Trieste, Venice, Salonika, and North Atlantic ports (Hamburg, Bremen, Rotterdam, and Antwerp), it follows that the actual share of maritime shipping is about 50 percent of Yugoslav foreign trade.

The share of Yugoslav seaports in Yugoslavia's foreign trade can objectively be increased by modernization of the ports and of transportation facilities leading to the ports and by developing integrated transportation, but transit cargo from the hinterland gravitating toward ports on the Adriatic can be attracted to a considerably greater degree.

It is evident from the table that the employment of our fleet in carrying exports and imports (about 30 percent in 1978), in carrying transit cargo (about 10 percent) and in general traffic through Yugoslav seaports (25 percent) is inadequate. Foreign vessels carry the remainder. To be sure, the situation has improved since 1977, as can be seen from the fact that our fleet's share in carrying exports and imports increased from about 27 percent to 30 percent, while its share of total cargo loaded and unloaded in Yugoslav seaports increased from 23.8 percent to 25.1 percent. Finally, this also shows, if we combine the figures, that Yugoslav vessels carried about 13 percent more international cargo through Yugoslav seaports, while the traffic of that cargo carried by foreign vessels increased only 5.3 percent.

Last year, then, foreign vessels carried about 17 million tons of cargo passing through Yugoslav seaports, about 11.8 million tons of this representing Yugoslav exports and imports, while we carried only 14 million tons between foreign ports, so that in quantitative terms the balance of cargo traffic in international transportation (our traffic between foreign ports relative to the traffic of foreign vessels through Yugoslav ports) is detrimental to us, and this certainly has an impact on the negative final balance of foreign exchange in maritime shipping (net foreign exchange proceeds of Yugoslav vessels minus outlays of foreign exchange for goods to be carried by foreign vessels).

Share of Yugoslav and Foreign Vessels Carrying Yugoslav Exports and Imports and Transit Cargo Passing Through Yugoslav Seaports, in thousands of tons

	Direction*				Total Traffic Through Yugo- slav Seaports
	<u>Exports</u>	<u>Imports</u>	Exports +	<u>Transit</u>	
			<u>Imports</u>		
1977					
Seaport traffic	3,518	12,512	16,030	5,168	21,198
Breakdown					
By domestic vessels	1,182	3,213	4,395	658	5,053
By foreign vessels	2,336	9,299	11,635	4,510	16,145
1978					
Seaport traffic	3,277	13,592	16,869	5,832	22,701
Breakdown					
By domestic vessels	1,288	3,834	5,122	581	5,703
By foreign vessels	1,989	9,758	11,747	5,251	16,998

Table (continued)

	Direction*				Total Traffic Through Yugo- slav Seaports
	<u>Exports</u>	<u>Imports</u>	<u>Exports + Imports</u>	<u>Transit</u>	
	Index, 78/77				
Seaport traffic	93.1	108.6	105.2	112.8	107.1
Domestic vessels	109.0	119.3	116.5	88.3	112.9
Foreign vessels	85.1	104.9	101.0	116.4	105.3
Proportional Breakdown, 1977					
Seaport traffic	100.0	100.0	100.0	100.0	100.0
Breakdown					
By domestic vessels	33.6	25.7	27.4	12.7	23.8
By foreign vessels	66.4	74.3	72.6	87.3	76.2
Proportional Breakdown, 1978					
Seaport traffic	100.0	100.0	100.0	100.0	100.0
Breakdown					
By domestic vessels	39.3	28.2	30.4	10.0	25.1
By foreign vessels	60.7	61.8	69.6	90.0	74.9

* The figures on traffic through seaports and the share of vessels in that traffic do not fully coincide with the indicated traffic of vessels because of differing coverage of the figures. That is, ship traffic is calculated on the basis of cruises begun and completed during the accounting year, while seaport traffic is recorded according to loading and unloading between 1 January and 31 December of the current year.

It is clear that efforts should be directed toward increasing the share of Yugoslav vessels in carrying Yugoslav exports and imports, but not to the detriment of traffic between foreign ports, since in that case the necessary results in terms of foreign exchange would not be achieved. This is especially important, since the level of our foreign trade, placed in a broader context, is relatively modest. Yet this is closely bound up with the problem of enlarging the capacity of our merchant marine, its modernization and changes in its composition.

We should mention that these figures are indicated only at the level of the Yugoslav merchant fleet and of Yugoslav seaports as a whole, since vessels call at all seaports regardless of the location of the headquarters of the work organization rendering port or shipping services, so that from a methodological standpoint the breakdown by republics is unnecessary. The trends generally valid for our maritime transportation as a whole are thereby confirmed.

Operating Results in Terms of Foreign Exchange of the Work Organizations Engaged in the Maritime Shipping of Croatia and Yugoslavia

Below we give the results of operations on the international maritime market (cargo carried between foreign ports, transit cargo through Yugoslav sea-ports and domestic imports and exports, as well as passenger traffic and other operations), in millions of dollars.

Basis	Yugoslavia			Croatia			Croatia's Share in Inflow of Foreign Exchange	
	1977	1978	Index, 78/77	1977	1978	Index, 78/77	1977	1978
1. Total foreign exchange inflow	484.1	554.8	114.6	355.1	403.4	113.6	73.4	72.7
2. Total foreign exchange outflow	285.6	335.3	117.4	209.0	234.2	112.0	73.2	69.8
3. Net foreign exchange inflow (1 - 2)	198.5	219.5	110.6	146.1	169.2	115.8	73.6	77.1
4. Interest paid in foreign exchange	16.1	19.9	123.6					
5. Payment of principal in foreign exchange	47.8	58.1	121.5					
6. Net foreign exchange result (3 - 4 - 5)	134.6	141.5	105.1					
Rate of net foreign exchange inflow (3 x 100):1	41.01	39.56	--					
Rate of net foreign exchange result (6 x 100):1	25.73	25.50	--	41.13	41.94			

Total foreign exchange revenues of the entire merchant marine in 1978 increased 14.6 percent over the previous year, and the increase for organizations of associated labor located in Croatia was 13.6 percent. Croatia's share was about 30 percent of the fleet's total foreign exchange revenues.

The following should be borne in mind in evaluating the real magnitude of these foreign exchange revenues:

i. The actual devaluation of the dollar (in which the foreign exchange inflow is computed) against the principal convertible currencies between January 1978 and December 1978, as follows:

\$1 U.S./DM from 2.122 to 1.895, i.e., by 10.7 percent,

1 pound/\$ U.S. from 1.829 to 1.981, i.e., by 8.3 percent, and

\$1 U.S./yen from 226.45 to 195.90, i.e., by 13.5 percent.

Taking the monthly rate of devaluation of the dollar, the average annual rate of devaluation of the dollar (excluding the extreme value of the revaluation of the Japanese yen) was about 5.5 percent, so that the real value of the total foreign exchange inflow was objectively less by that amount.

ii. The volume of international transport (of cargo in tons) in 1978 was 12.6 percent greater for the entire fleet and 14.8 percent greater for Croatian shipping, which is approximately at the level of the nominal growth of the foreign exchange inflow (14.6 percent for Yugoslavia and 13.6 percent for Croatia), which confirms the previous conclusion.

The foreign exchange outflow (operating costs of vessels incurred in foreign exchange) increased 17.4 percent for the entire merchant marine and 12 percent for that portion of shipping pertaining to Croatia (all Mediterranean and passenger fleets are located in Croatia, along with a part of the fleet with a smaller operating radius relative to domestic ports--so that the level of operating costs incurred in foreign exchange is relatively lower).

The net foreign exchange inflow (foreign exchange revenues minus operating expenses incurred in foreign exchange) increased only 10.6 percent for the Yugoslav fleet and 15.8 percent for Croatian shipping, so that the share of Croatian work organizations in the total foreign exchange inflow increased from 73.6 percent (in 1977) to 77.1 percent (in 1978).

With respect to the change of the foreign exchange inflow (which was smaller because of the general market situation) and the foreign exchange outflow (which was higher because of more difficult operating conditions) it follows that the rate of the net foreign exchange inflow dropped from 41 percent in 1977 to 39.6 percent in 1978 for the Yugoslav fleet, while Croatian shipping improved slightly from 41.1 percent in 1977 to 41.9 percent in 1978 because of the character of its operations, as mentioned.

The rate of the net foreign exchange inflow, which, then, ranges about 40 percent (expenses incurred in foreign exchange are 60 percent) is markedly unfavorable, since in previous years (before the recession and even in some of the periods of crisis) the rate of the net foreign exchange inflow was

even several percentage points higher than 50 percent. So, even if transport and transport services were granted an incentive on the basis of the predominant share of domestic value incorporated in the total product (which is granted in the case of exported commodities) most of the maritime shipping industry would have no benefit from this unless there were an essential correction of the operating balance in terms of foreign exchange (which, of course, does not dispute the need for an incentive on that basis, but on the contrary shows the urgent need for it).

The rise in operating costs incurred in foreign exchange was largely brought about by port expenses, loading and unloading costs, commissions of agents and other services, which altogether increased by nearly 25 percent, and also by capital maintenance, repairs and docking, which together increased about 45 percent.

The adverse growth trends of this group of expenditures are continuing, but the situation is worsening in 1979 because of the higher prices of fuel and lubricants (which did not increase essentially in 1978) and which have a share of about 25 percent in costs incurred in foreign exchange.

Debt repayment in foreign exchange (for the Yugoslav fleet) increased 22 percent (from \$64 million to \$78 million), so that the net foreign exchange result (the net foreign exchange inflow from operations after deduction of debt repayments made in foreign exchange) increased only 5.1 percent in nominal terms (for the Yugoslav fleet--there are no figures for Croatia).

Yet the problem of foreign exchange inflow appears in a special light if we treat it as a function of the makeup of the inflow of foreign exchange (convertible currency, bilateral clearing, and "foreign exchange rights," i.e., "foreign exchange dinars") for the Yugoslav fleet (since we do not have complete figures for Croatia), but even this is enough to verify the general trends, as can be seen from the table below, in millions of dollars:

	<u>Total</u>	<u>Convertible Currency</u>	<u>Clearing</u>	<u>Foreign Ex- change Rights</u>
1977				
1. Total foreign exchange inflow	484.1	323.8	10.8	149.5
2. Total foreign exchange outflow	285.6	250.8	3.2	31.6
3 Net foreign exchange inflow	198.5	73.0	7.6	117.9
breakdown				
1. Total foreign exchange inflow	100.0	66.9	2.3	30.8
2. Total foreign exchange outflow	100.0	87.8	1.1	11.1
3. Net foreign exchange inflow	100.0	36.8	3.8	59.4

Table (continued)

	<u>Total</u>	<u>Convertible Currency</u>	<u>Clearing</u>	<u>Foreign Ex- change Rights</u>
1978				
1. Total foreign exchange in- flow	554.8	392.2	11.3	151.3
2. Total foreign exchange out- flow	335.3	322.1	4.8	8.4
3. Net foreign exchange inflow	219.5	70.1	6.5	142.9
Breakdown				
1. Total foreign exchange in- flow	100.0	70.7	2.0	27.3
2. Total foreign exchange out- flow	100.0	96.1	1.4	2.5
3. Net foreign exchange inflow	100.0	31.9	3.0	65.1
Index, 78/77				
1. Total foreign exchange in- flow	114.6	121.0	104.0	101.0
2. Total foreign exchange out- flow	117.4	128.0	150.0	26.6
3. Net foreign exchange inflow	110.6	104.0	85.0	121.0

The share of convertible currency in the total foreign exchange inflow was about 71 percent (about 67 percent in 1977), and the share of "foreign exchange dinars," i.e., "foreign exchange rights," which serve as a foreign exchange incentive (but do not represent "effective foreign currency"!) for Yugoslav exports and imports that are carried, is about 27 percent (about 31 percent in 1977), and the share of clearing currencies is negligible. Revenues from domestic exports and imports ("foreign exchange dinars"--"foreign exchange rights") increased negligibly by only 1 percent, while convertible foreign exchange revenues from carrying foreign goods increased 14.6 percent.

However, the makeup of operating costs incurred in foreign exchange is having an essential adverse effect on maritime transportation's balance sheet of convertible foreign exchange.

For instance, all of 96 percent (last year 88 percent) of total foreign exchange costs are incurred in convertible currencies, while only a negligible portion (and that only at the beginning of the year) was incurred in "foreign exchange dinars"--2.5 percent (considerably more in the previous year, about 11 percent). This abrupt increase in operating costs of vessels abroad which are incurred in convertible currencies largely resulted from unwise decisions early in the year to stop supplying vessels with various

expendable and other materials in domestic ports at export prices (on the basis of "foreign exchange rights"--"foreign exchange dinars") and the purchase of fuel in foreign exchange (which is the system for the sale of bunker oil that has been continuously in effect since the Liberation and is practiced at all ship bunker oil stations in all the world's international seaports). About \$30 million worth of expendable and other materials, along with about 15 percent of the fuel purchased in Yugoslavia (totaling \$77.7 million), representing at least \$12 million, were transferred on those two bases from the category of "foreign exchange dinars" to the category of "effective foreign currency." To be sure, these two items in the foreign exchange balance of maritime shipping figured as foreign exchange outflow even in the past, but \$42 million of the total was not an outflow of foreign exchange abroad, but consisted of payments made in foreign exchange within the country, and they therefore represented a foreign exchange revenue in the national balance of payments.

If we draw up balances of the foreign exchange inflow and outflow by types of foreign exchange, the net foreign exchange inflow shows that the situation has deteriorated essentially with convertible foreign exchange. Convertible currencies represented only 32 percent (about 37 percent the previous year) of the total net foreign exchange inflow, while foreign exchange dinars ("rights") represented 65 percent (about 59 percent in 1977).

When we also take into account obligations for debt repayment in foreign exchange (predominantly in convertible currencies), then the entire inflow of convertible foreign exchange is nearly canceled out in the final foreign exchange results.

So, along with all the efforts to increase our merchant marine's employment in carrying our exports and imports, the fleet must not only maintain its positions, but must even step up its efforts to attract more cargo on the international market if it wants to avoid a still more critical situation in its balance of payments.

Otherwise the "foreign exchange rights" (to stimulate exports), i.e., "foreign exchange dinars," earned through the changes in the system, will have to be "covered" and recognized as "effective foreign exchange," which is not the case in present practice.

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